

SISONKE DISTRICT MUNICIPALITY



ANNUAL FINANCIAL STATEMENTS

FOR YEAR ENDED 30 JUNE 2012

Annual Financial Statements

for

SISONKE DISTRICT MUNICIPALITY

FOR THE YEAR ENDED 2012

Province: KwaZulu Natal

AFS rounding: R (i.e. only cents)

Contact Information:

Name of Municipal Manager: MR NM Mabaso
Contact telephone number: 039-834 8700

Name of Chief Financial Officer: MR P Luthuli (Acting Chief Financial Officer)
Contact telephone number: 039 - 834 8700

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Contact telephone number: 033 - 897 4415

Name of relevant Auditor: Auditor General South Africa
Contact telephone number: 033 - 264 7400

Name of contact at National Treasury: MR J.Hattingh
Contact telephone number: 012 - 315 5534

**SISONKE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

General information:

Mayor

Deputy Mayor

Speaker

Member of the Executive Committee

Member of the Executive Committee

Member of the Executive Committee

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Member

Members of Council

M NDOBE

NH DUMA

CM NGCOBO

SB BHENGU

KS MADLALA

AM ZONDI

NB MNGADI

ZS NYIDE

NC VEZI

JL KOTTING

VP MAJOZI

JS MSIYA

MW TSHIBASE

CB KUNENE

V MHATU

ME MKHIZE

M NONDABULA

SD RADEBE

XR TSHAZI

SJ BHENGU

SS MAVUMA

B THABETHE

AT SONDZABA

GP NZIMANDE

TC DLAMINI

PB KLEINBOOI

Grading of Local Authority

Grade 3

Bankers

First National Bank

**SISONKE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

General information (continued):

Registered Office: SISONKE MAIN OFFICE

Physical address: 40 MAIN STREET
IXOPO
3276

Postal address: PRIVATE BAG X501
IXOPO
3276

Telephone number: 039 - 834 8700


Fax number: 039 - 834 2258

E-mail address: cfo@sisonkedm.gov.za

**SISONKE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

Approval of annual financial statements

I am responsible for the preparation of these annual financial statements, which are set out on pages 5 to 46, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality. I certify that the salaries, allowances and benefits of Councillors, are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.


Municipal Manager:

DATE 31 August 2012

**SISONKE DISTRICT MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

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SISONKE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL POSITION
FOR THE ENDED 30 JUNE 2012

	Note	2012 R	2011 R
ASSETS			
Current Assets			
Cash and cash equivalents	1	3 539 442	346 112
Trade and other receivables from exchange transactions	2	3 518 950	5 310 293
Other debtors	2.2	2 000 000	30 000 000
Inventories	3	115 562	54 295
Investments	4	-	6 712 010
VAT receivable	8	9 789 550	4 543 051
Non-current Assets			
Property, plant and equipment	5.1	980 415 123	864 569 782
Intangible assets	5.3	186 081	311 623
Total Assets		999 564 708	911 847 166
LIABILITIES			
Current Liabilities			
Trade and other payables from exchange transactions	6	46 094 478	50 431 605
Consumer deposits	7	881 336	786 911
Current provisions	9	5 249 317	4 676 545
Current portion of health care retirement provision	9.1	41 292	37 104
Current portion of unspent conditional grants and receipts	10	24 860 121	40 731 096
Current portion of borrowings	11	3 332 905	2 832 805
Current portion of finance lease liability	12	1 578 104	1 358 089
Current portion long term service provision	9.2	176 112	264 826
Non-current Liabilities			
Health care retirement provision	9.1	5 299 871	3 919 449
Non current portion long term service provision	9.2	2 127 090	1 621 746
Non-current borrowings	11	28 842 322	32 483 999
Non-current finance lease liability	12	3 279 689	4 656 135
Total Liabilities		121 762 638	143 800 310
Net Assets		877 802 069	768 046 856
NET ASSETS			
Accumulated Surplus		877 802 069	768 046 856
Total Net Assets		877 802 069	768 046 856

Cash 3,539,442
 Payables (46,094,478)
 Cond. Grants (24,860,121)
(67,415,157)

SISONKE DISTRICT MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR YEAR ENDED 30 JUNE 2012

	Note	2012 Actual R	2012 Budget R	2011 Actual R
Revenue				
Property rates	13	-	-	193 703
Service charges	14	36 570 497	35 648 641	31 592 165
Rental of facilities	15	48 335	-	82 231
Interest earned - external investments	16	2 201 519	1 618 218	5 654 836
Government grants and subsidies	17	386 788 899	397 164 713	314 047 929
Other income	18	29 717 094	82 021 722	1 595 456
Total Revenue		455 326 344	516 453 294	353 166 320
Expenses				
Contribution to bad debt provision	2.1	10 735 013	7 748 066	6 303 189
Employee related costs	19	71 974 823	74 079 448	56 108 001
Remuneration of councillors	20	4 413 410	5 037 250	4 050 595
Depreciation and amortisation expenses	21	17 858 703	21 200 000	19 811 700
General expenses	22.1	66 696 644	66 157 455	92 473 880
General expenses - community participation	22.2	4 625 788	5 890 365	12 963 792
General expenses - contracted services	22.3	40 723 592	36 769 308	27 717 175
General expenses - impairment costs	22.4	4 772 600	-	-
Provision Leave reserve	23	1 260 571	113 000	1 053 121
Bulk purchases	24	7 712 971	7 712 971	6 997 569
Operating Grant expenditure	25	41 715 558	57 127 102	67 917 038
Collection cost	26	3 057 228	1 200 000	2 048 091
Finance costs	27	3 972 107	3 972 107	842 509
Repairs and maintenance	28	32 586 766	25 745 052	14 507 585
Total Expenses		312 105 774	312 752 124	312 794 245
Loss on disposal of assets	29	33 465 357	-	-
Surplus for the period		109 755 212	203 701 170	40 372 076

SISONKE DISTRICT MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR YEAR ENDED 30 JUNE 2012

		Note	Accumulated Surplus/Deficit	Total Net Assets
			R	R
Balance at 1 July 2010			744 712 059	744 712 059
<u>Prior Year Adjustments:</u>				
	:Other		(632 052)	(632 052)
	:Grants		13 245 444	13 245 444
	:Work in Progress		23 720 633	23 720 633
	:Grant MIG		4 128 475	4 128 475
	:Cash and Bank		170 030	170 030
Surplus for the period			40 372 076	40 372 076
Balance at 30 June 2011			825 716 665	825 716 665
<u>Prior Year Adjustment:</u>				
	:Work in Progress - LM Projects	5	(60 015 549)	(60 015 549)
	:Debtors	2	(2 496)	(2 496)
	:Finance Lease Liability	12	(73 161)	(73 161)
	:Property Plant and Equipment - Grant	5	1 787 638	1 787 638
	:Property Plant and Equipment	5	633 760	633 760
Restated balance at 30 June 2011			768 046 856	768 046 856
Surplus for the period			109 755 212	109 755 212
Balance at 30 June 2012			877 802 069	877 802 069

SISONKE DISTRICT MUNICIPALITY

**CASH FLOW STATEMENT
FOR YEAR ENDED 30 JUNE 2012**

	Note	2012 R	2011 R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts		463 169 998	315 216 201
Sales of goods and services		36 570 497	21 122 522
Grants	17	386 788 899	286 697 550
Interest received	16	2 201 519	5 654 836
Other receipts		37 609 083	1 741 293
Payments		311 408 261	216 613 804
Employee costs	19/20	76 388 232	60 158 596
Suppliers		222 114 147	155 215 026
Interest paid	22	3 972 107	842 509
Other payments		8 933 774	397 673
Net Cash Flows from Operating Activities	30	151 761 737	98 602 397
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Fixed Assets	5	(150 982 412)	(207 409 125)
Proceeds from Sale of Fixed Assets	29	-	-
Proceeds from Sale of Investments	4	6 712 010	103 120 278
Net Cash Flows from Investing Activities		(144 270 402)	(104 288 847)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from Borrowings	11	-	113 338
Repayment of Borrowings	11	(3 141 577)	(994 405)
Proceeds from Finance Lease Liabilities	12	209 306	3 318 043
Repayment of Finance Lease liability	12	(1 365 734)	(1 001 613)
Net Cash Flows from Financing Activities		(4 298 006)	1 435 363
Net increase / (decrease) in net cash and cash equivalents	1	3 193 329	(4 251 087)
Net cash and cash equivalents at beginning of period	1	346 112	4 597 199
Net cash and cash equivalents at end of period	31	3 539 442	346 112

SISONKE DISTRICT MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

1. BASIS OF PRESENTATION

The Annual Financial Statements have been prepared on an accrual basis of accounting and are in accordance with the historical cost convention.

The Annual Financial Statements have been prepared in accordance with South African Standards of Generally Recognised Accounting Practice as prescribed by the Minister of Finance in terms of Government Gazette number 31021, Notice Number 516, dated 9 May 2008 and also in terms of the standards and principles contained in Directives 3 and 5 issued by the Accounting Standards Board ("ASB") in February 2011.

1.1 Changes in accounting policy and comparability

Accounting Policies have been consistently applied, except where otherwise indicated below:

For the years ended 30 June 2011 and 30 June 2012 the municipality has adopted the accounting framework as set out in point 1 above. The details of any resulting changes in accounting policy and comparative restatements are set out below.

The municipality changes an accounting policy only if the change:

- a) is required by a Standard of GRAP; or
- b) results in the financial statements providing reliable and more relevant information about the effects of transactions, other events or conditions on the performance or cash flow.

1.2 Critical judgments, estimations and assumptions

The following are the critical judgments, apart from those involving estimations, that management has made in the process of applying the municipality's accounting policies and that have the most significant effect on the amounts recognised in the Annual Financial Statements:

1.2.1 Revenue Recognition

Accounting Policy 8.2 on *Revenue from Exchange Transactions* and Accounting Policy 8.3 on *Revenue from Non-exchange Transactions* describes the conditions under which revenue will be recorded by the management of the municipality.

In making their judgment, the management considered the detailed criteria for the recognition of revenue as set out in GRAP 9: *Revenue from Exchange Transactions* and GAMAP 9: Revenue, as far as Revenue from Non-Exchange Transactions is concerned (see Basis of Preparation above). In particular when services are rendered, and whether the service has been rendered. The management of the municipality is satisfied that recognition of the revenue in the current year is appropriate.

1.2.2 Financial assets and liabilities

The classification of financial assets and liabilities into categories is based on judgment by management.

1.2.3 Impairment of Financial Assets

Accounting Policy 4.4 on *Impairment of Financial Assets* describes the process followed to determine the value by which financial assets should be impaired. In making the estimation of the impairment, the management of the municipality considered the detailed criteria of impairment of financial assets as set out in IAS 39: *Financial Instruments - Recognition and Measurement*. The management of the municipality is satisfied that the impairment of financial assets recorded during the year, is appropriate.

1.2.4 Useful lives of Property, Plant and Equipment ("PPE")

As described in Accounting Policies 2.3 and 3.2, the municipality depreciates/amortises its property, plant and equipment and intangible assets over the estimated useful lives of the assets, taking into account the residual values of the assets at the end of their useful lives, which is determined when the assets are available for use. The useful lives and residual values of the assets are based on industry knowledge.

1.2.5 Impairment: Write down of PPE

Significant estimates and judgments are made relating to PPE impairment tests.

1.2.6 Defined Benefit Plan Liabilities

As described in Accounting Policy 11.3, the municipality obtains actuarial valuations of its defined benefit plan liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of IAS 19. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in Note 9 to the Annual Financial Statements.

Multi-employer defined benefit funds are accounted for as defined contribution plan as set out in note 9.

1.3 Presentation currency

The Annual Financial Statements are presented in South African Rand, rounded off to the nearest Rand which is the municipality's functional currency.

1.4 Going concern assumption

The Annual Financial Statements have been prepared on a going concern basis.

1.5 Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

1.6 Standards, amendments to standards and interpretations issued but not yet effective

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 21 Impairment of Non-cash-generating Assets - issued March 2009
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 25 Employee Benefits - issued December 2009
- GRAP 26 Impairment of Cash-generating Assets - issued March 2009
- GRAP 103 Heritage Assets - issued July 2008
- GRAP 104 Financial Instruments – October 2009

Management has considered all of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

2. PROPERTY, PLANT AND EQUIPMENT

2.1 Initial Recognition

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

SISONKE DISTRICT MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost, where applicable, also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for non-monetary assets or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

2.2 Subsequent Measurement

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (which includes deemed cost for previously unrecognised assets), less accumulated depreciation and accumulated impairment losses.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

2.3 Depreciation

Land is not depreciated as it is regarded as having an indefinite useful life. Depreciation on assets other than land is calculated on cost, using the straight line method, to depreciate their cost to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

SISONKE DISTRICT MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

Details

Years

Sewerage

Sewers	20 years
Outfall sewers	20 years
Purification works	20 years
Sewerage pumps	15 years
Sludge machines	15 years

Water

Meters	15 years
Mains	20 years
Rights	20 years
Supply/reticulation	20 years
Reservoirs & Tanks	20 years

OTHER ASSETS

Buildings

Office buildings	30 years
Workshops/depots	30 years

Office equipment

Computer hardware	5 years
Computer software	3-5 years
Office machines	3-5 years
Air conditioners	5-7 years

Furniture And Fittings

Chairs	7-10 years
Tables/desks	7-10 years

SISONKE DISTRICT MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

Cabinets/cupboards	7-10 years
Miscellaneous	7-10 years

Motor Vehicles

Trucks/LDV's	5-7 years
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Plant and Equipment

Tractors	10-15 years
Lawnmowers	2 years
Compressors	5 years
Laboratory equipment	5 years
General	5 years

The assets' residual values, estimated useful lives and depreciation methods are reviewed annually, and adjusted prospectively if appropriate, at each reporting date.

2.4 Incomplete Construction Work

Incomplete construction work is stated at historical cost. Depreciation only commences when the asset is available for use.

2.5 Finance Leases

Assets capitalised under finance leases are depreciated over their expected useful lives on the same basis as PPE controlled by the entity or where shorter, the term of the relevant lease if there is no reasonable certainty that the municipality will obtain ownership by the end of the lease term.

2.6 Infrastructure Assets

Infrastructure Assets are any assets that are part of a network of similar assets. Infrastructure assets are shown at cost less accumulated depreciation and accumulated impairment. Infrastructure assets are treated similarly to all other assets of the municipality.

2.7 Derecognition of property, plant and equipment

The carrying amount of an item of property, plant and equipment is derecognised on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. Gains are not included in revenue.

Gains or losses are calculated as the difference between the net book value of assets (cost less accumulated depreciation and accumulated impairment losses) and the sales proceeds. This included in the Statement of Financial Performance as a gain or loss on disposal of property, plant and equipment.

2.8 Impairment of assets

2.8.1 Impairment of Cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for cash-generating units if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

2.8.2 Impairment of non-cash generating assets

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

If there is any indication that an asset may be impaired, the recoverable service amount is estimated for the individual asset. If it is not possible to estimate the recoverable service amount of the individual asset, the recoverable service amount of the cash-generating unit to which the asset belongs is determined.

The recoverable service amount of an asset or a non-cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable service amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

An impairment loss is recognised for non-cash-generating units if the recoverable service amount of the unit is less than the carrying amount of the unit. The impairment loss is allocated to reduce the carrying amount of the assets of the unit as follows:

SISONKE DISTRICT MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

- to the assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

A municipality assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable service amounts of those assets are estimated.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

3. INTANGIBLE ASSETS

3.1 Initial Recognition

Identifiable non-monetary assets without physical substance which are held for use in the production or supply of services, for rental to others, or for administrative purposes are classified and recognised as intangible assets. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is recognised as an expense when incurred.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful life, not exceeding five years. Development assets are tested for impairment annually. Intangible assets are initially recognised at cost. Intangible assets acquired separately or internally generated are reported at cost less accumulated amortisation and accumulated impairment losses. Where an intangible asset is acquired at no cost or for a nominal consideration, its cost is its fair value as at the date it is acquired. Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

3.2 Subsequent Measurement, Amortisation and Impairment

Amortisation is charged on a straight-line basis over the intangible assets' useful lives, which are estimated to be between 3 to 5 years. Where intangible assets are deemed to have an indefinite useful life, such intangible assets are not amortised, for example servitudes obtained by the municipality give the municipality access to land for specific purposes for an unlimited period - however, such intangible assets are subject to an annual impairment test.

Intangible assets are annually tested for impairment, including intangible assets not yet available for use. Where items of intangible assets have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified except where the impairment reverses a previous revaluation. The impairment loss is the difference between the carrying amount and the recoverable amount.

The estimated useful life and amortisation method are reviewed annually. Any adjustments arising from the annual review are applied prospectively as a change in accounting estimate in the Statement of Financial Performance.

3.3 Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

4. FINANCIAL INSTRUMENTS

The municipality has various types of financial instruments and these can be broadly categorised as either *Financial Assets* or *Financial Liabilities*.

4.1 Financial Assets - Classification

A financial asset is any asset consisting of cash or a contractual right to receive cash. The municipality has the following types of financial assets as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Investments in Fixed Deposits (Banking Institutions, etc)
- Unlisted investments
- Consumer Debtors
- Certain Other Debtors (see note 2.3)
- Short-term Investment Deposits
- Bank Balances and Cash

In accordance with IAS 39.09, the *Financial Assets* of the municipality are classified as follows into the four categories allowed by this standard:

Type of Financial Asset	Classification in terms of IAS 39.09
Short-term Investment Deposits – Call	Held-to-maturity investments
Cash and cash equivalents	Loans and receivables
Consumer Debtors	Loans and receivables
Other Debtors	Loans and receivables
Investments in Fixed Deposits	Held-to-maturity investments
Unlisted investments	Held-to-maturity investments

Available for sale investments are financial assets that are designated as available for sale or are not classified as:

- Loans and Receivables;
- Held-to-Maturity Investments; or
- Financial Assets at fair value through the Statement of Financial Performance.

Loans and Receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months, which are classified as non-current assets.

Held-to-Maturity Investments are financial assets with fixed or determinable payments and fixed maturity where the municipality has the positive intent and ability to hold the investment to maturity.

SISONKE DISTRICT MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

4.2 Financial Liabilities - Classification

A financial liability is a contractual obligation to deliver cash or another financial asset to another entity. The municipality has the following types of financial liabilities as reflected on the face of the Statement of Financial Position or in the notes thereto:

- Long-term Liabilities
- Trade and other payables (see note 6)
- Bank Overdraft
- Short-term loans
- Consumer Deposits

There are two main categories of *Financial Liabilities*, the classification determining how they are measured. Financial liabilities may be measured at:

- Fair value through surplus or deficit
- Amortised cost ("other financial liabilities")

Any other financial liabilities are classified as "Other financial liabilities" and are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

In accordance with IAS 39.09 the Financial Liabilities of the municipality are all classified as "Other financial liabilities".

4.3 Initial and Subsequent Measurement

4.3.1 Financial Assets:

Held-to-maturity Investments and *Loans and Receivables* are initially measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently, these assets are measured at amortised cost using the effective interest method less, any impairment, with interest recognised on an effective yield basis in surplus /deficit.

Financial Assets at Available-for-Sale are initially and subsequently, at the end of each financial year, measured at fair value with the profit or loss being recognised in the Statement of Financial Performance.

Financial assets are recognised on the date they originated for loans and receivables and deposits and for other financial assets, initially on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

4.3.2 Financial Liabilities:

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Financial liabilities are recognised on the trade date at which the municipality becomes a party to the contractual provisions of the instrument.

4.4 Impairment of Financial Assets

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence of impairment of financial assets (such as the probability of insolvency or significant financial difficulties of the debtor). If there is such evidence the recoverable amount is estimated and an impairment loss is recognised in accordance with IAS 39.

An estimate is made for doubtful debt based on past default experience of all outstanding amounts at year-end. Bad debts are written off the year in which they are identified as irrecoverable.

A provision for impairment of trade receivables is established when there is objective evidence that the municipality will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Consumer Debtors are stated at cost less a provision for bad debts. The provision is made in accordance with IAS 39.64 whereby the recoverability of Consumer Debtors is assessed individually and then collectively after grouping the assets in financial assets with similar credit risk characteristics. The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the Statement of Financial Performance.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Financial Performance to the extent that the carrying amount of the instruments at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4.5 Derecognition of Financial Assets

The municipality derecognises financial assets only when the contractual rights to the cash flows from the asset expire or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity, except when Council approves the write-off of financial assets due to non recoverability.

If the municipality neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the municipality recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the municipality retains substantially all the risks and rewards of ownership of a transferred financial asset, the municipality continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

4.6 Derecognition of Financial Liabilities

The municipality derecognises Financial Liabilities when, and only when, the municipality's obligations are discharged, cancelled or they expire.

5. RISK MANAGEMENT OF FINANCIAL ASSETS AND LIABILITIES

It is the policy of the municipality to disclose information that enables the user of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the municipality is exposed on the reporting date.

Risks and exposure are disclosed as follows:

5.1 Credit Risk

- Each class of financial instrument is disclosed separately.
- Maximum exposure to credit risk not covered by collateral is specified.
- Financial instruments covered by collateral are specified.

5.2 Liquidity Risk

Liquidity risk is the risk that the municipality will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

A maturity analysis is prepared for financial assets and liabilities that shows the remaining contractual maturities.

- Liquidity risk is managed by ensuring that all assets are reinvested at maturity at competitive interest rates in relation to cash flow requirements. Liabilities are managed by ensuring that all contractual payments are met on a timeous basis and, if required, additional new arrangements are established at competitive rates to ensure that cash flow requirements are met.
- A maturity analysis for financial liabilities (where applicable) that shows the remaining undiscounted contractual maturities is disclosed in the notes to the annual financial statements.

5.3 Interest Risk

Interest rate risk originates from the uncertainty about the fair value or future cash flows of a financial instrument which fluctuate because of changes in market interest rates.

- Borrowings issued at variable rates expose the municipality to cash flow interest rate risk.
- Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

Management has assessed the impact of interest rate risk on the operations of the municipality and considers the risk to be negligible.

5.4 Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rate and equity prices will affect the municipalities' income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

6. INVENTORIES

6.1 Initial recognition

Inventories comprise current assets held for sale, consumption or distribution during the ordinary course of business. Inventories are initially recognised at cost. Cost generally refers to the purchase price, plus taxes, transport costs and any other costs in bringing the inventories to their current location and condition.

6.2 Subsequent measurement

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

7. NON-CURRENT ASSETS HELD-FOR-SALE

7.1 Initial Recognition

Non-current Assets and Disposal Groups are classified as held-for-sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Council must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

7.2 Subsequent Measurement

Non-current Assets (and Disposal Groups) classified as held-for-sale are measured at the lower of carrying amount and fair value less costs to sell.

A non-current asset is not depreciated (or amortised) while it is classified as held for sale, or while it is part of a disposal group classified as held for sale.

Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale are recognised in surplus or deficit.

8. REVENUE RECOGNITION

8.1 General

Revenue comprises the fair value of the consideration received or receivable from exchange or non-exchange transactions in the ordinary course of the municipality's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

The municipality recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the municipality and when specific criteria have been met for each of the municipalities' activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The municipality bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue from exchange transactions refers to revenue that accrued to the municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

8.2 Revenue from Exchange Transactions

8.2.1 Service Charges

Service charges relating to water are based on consumption. Meters are read on a monthly basis and are recognised as revenue when invoiced. Provisional estimates of consumption, based on the consumption history, are made monthly when meter readings have not been performed. The provisional estimates of consumption are recognised as revenue when invoiced, except at year-end when estimates of consumption up to year-end are recorded as revenue without being invoiced. Adjustments to provisional estimates of consumption are made in the invoicing period in which meters have been read. These adjustments are recognised as revenue in the invoicing period. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

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In circumstances where services cannot readily be measured and quantified, a flat rate service charge is levied monthly on such properties.

8.2.2 Finance income

Interest earned on investments is recognised in the Statement of Financial Performance on the time proportionate basis that takes into account the effective yield on the investment.

8.2.3 Tariff Charges

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant authorised tariff.

8.2.4 Rentals

Revenue from the rental of facilities and equipment classified as operating leases is recognised on a straight-line basis over the term of the lease agreement, where such lease periods span over more than one financial year.

8.3 Revenue from Non-exchange Transactions

8.3.1 Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis with reference to the principal amount receivable and effective interest rate applicable. A composite rating system charging different rate tariffs is employed. Rebates are granted to certain categories of ratepayers and are deducted from revenue

With effect 1 July 2011 property rates are no longer assessed as this only applied to District Municipal Areas.

8.3.2 Public contributions

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment are brought into use. Where public contributions have been received and the municipality has not met the condition, a liability is recognised.

8.3.3 Revenue from Recovery of Unauthorised, Irregular, Fruitless and Wasteful Expenditure

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain. Such revenue is based on legislated procedures.

9. GOVERNMENT GRANTS AND RECEIPTS

Income received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the municipality with no future related costs, are recognised in the Statement of Financial Performance in the period in which they become receivable.

Interest earned on investments is treated in accordance with grant conditions. If it is payable to the funder it is recorded as part of the creditor and if it is the municipality's interest it is recognised as interest earned in the Statement of Financial Performance.

10. PROVISIONS

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

11. EMPLOYEE BENEFITS

11.1 Short-term Employee Benefits

Remuneration to employees is recognised in the Statement of Financial Performance as the services are rendered, except for non-accumulating benefits, which are only recognised when the specific event occurs.

The municipality treats its provision for leave pay as an accrual.

The costs of all short-term employee benefits such as leave pay, are recognised during the period in which the employee renders the related service. The liability for leave pay is based on the total accrued leave days at year end and is shown as a provision in the Statement of Financial Position. The municipality recognises the expected cost of performance bonuses only when the municipality has a present legal or constructive obligation to make such payment and a reliable estimate can be made.

11.2 Defined Contribution Plans

A defined contribution plan is a plan under which the municipality pays fixed contributions into a separate entity. The municipality has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to service in the current or prior periods.

The municipality's contributions to the defined contribution funds are established in terms of the rules governing those plans. Contributions are recognised in the Statement of Financial Performance in the period in which the service is rendered by the relevant employees. The municipality has no further payment obligations once the contributions have been paid.

11.3 Post retirement benefits

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan.

11.3.1 Pension obligations

The municipality and its employees contribute to 4 different pension funds, namely Natal Joint Municipal Pension Fund and South African Local Authority Pension Fund. The KSN Municipal Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable. Natal Joint Provident, Superannuation & Retirement Funds and Government Employee Pension Fund are defined benefit funds. The Natal Joint Provident Fund and South African Local Authority Pension Fund are defined contribution funds.

The schemes are funded through payments to fund administrator or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans.

Defined benefit plans have been accounted for as defined contribution plans in accordance with the requirements on multi-employer plans where sufficient information is not available to account for such plans as defined benefit plans. As the fund administrators do not have sufficient information available to allocate the shortfall on liabilities to individual employers, no liability is recognised for any shortfall of fund asset as compared to fund liabilities. Any surcharges that may be levied by the fund from time to time in order to compensate for shortfalls, are recognised as expenses in the period in which they become payable to the fund. As surcharges are advised long in advance, based on actuarial valuations of the fund as a whole, the necessary provision for the payment thereof is made in the course of the municipality's normal budgeting processes.

For defined contribution plans, the Municipality pays contributions to fund administrators. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

11.3.2 Post-retirement Health Care Benefits:

The municipality has an obligation to provide Post-retirement Health Care Benefits to certain of its retirees. According to the rules of the Medical Aid Funds, with which the municipality is associated, a member (who is on the current Conditions of Service), on retirement, is entitled to remain a continued member of the Medical Aid Fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

The liability is the aggregate of the present value of the defined obligation and recognised actuarial gains and losses, adjusted by past service costs where applicable. The plan is unfunded. The present value of the defined benefit obligation is calculated using the projected unit credit method, incorporating actuarial assumptions and an appropriate discount rate. Valuations of these obligations are carried out every year by independent qualified actuaries.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

11.3.3 Long-service Allowance

The municipality has an obligation to provide Long-service Allowance Benefits to all of its employees. According to the rules of the Long-service Allowance Scheme, which the municipality instituted and operates, an employee (who is on the current Conditions of Service), is entitled to a cash allowance, as well as additional once-off leave calculated in terms of the rules of the scheme, after 10, 15, 20, 25, 30, 35, 40 and 45 years of continued service.

The municipality's liability is based on an actuarial valuation. The projected unit credit method has been used to value the liabilities. Actuarial gains and losses on the long-term incentives are accounted for through the statement of financial performance.

Actuarial gains or losses are accounted for in full and are recognised in the Statement of Financial Performance.

12. LEASES

12.1 The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment or Intangible Assets subject to finance lease agreements are capitalised at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease. Corresponding liabilities are included in the Statement of Financial Position as Finance Lease Liabilities. The corresponding liabilities are initially recognised at the inception of the lease and are measured as the sum of the minimum lease payments due in terms of the lease agreement, discounted for the effect of interest. In discounting the lease payments, the municipality uses the interest rate that exactly discounts the lease payments and unguaranteed residual value to the fair value of the asset plus any direct costs incurred.

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Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangible assets. The lease liability is reduced by the lease payments, which are allocated between the lease finance cost and the capital repayment using the effective interest rate method. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are recognised as an expense in the statement of financial performance on a straight-line basis over the term of the relevant lease.

13. BORROWING COSTS

The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

14. VALUE ADDED TAX

The Municipality accounts for Value Added Tax on the payments basis.

15. CASH AND CASH EQUIVALENTS

Cash includes cash-on-hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdrafts.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdrafts are expensed as incurred.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently account for as revenue in the statement of financial performance

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal Systems Act (Act No 32 of 2000), and the Public Office Bearers Act (Act No 20 of 1998) or is in contravention of the Municipality's or Municipal Entities' supply chain management policies. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as an expense in the

SISONKE DISTRICT MUNICIPALITY
ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2012

Statement of Financial Performance, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

CHANGES IN ACCOUNTING POLICIES, ESTIMATES AND ERRORS

Changes in accounting policies that are affected by management have been applied retrospectively in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the change in policy. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

Changes in accounting estimates are applied prospectively in accordance with GRAP 3 requirements. Details of changes in estimates are disclosed in the notes to the annual financial statements where applicable.

Errors are corrected retrospectively in the period in which the error has occurred in accordance with GRAP 3 requirements, except to the extent that it is impracticable to determine the period-specific effects or the cumulative effect of the error. In such cases the municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which retrospective restatement is practicable.

19. RELATED PARTIES

Individuals as well as their close family members, and/or entities are related parties if one party has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and/or operating decisions. Key management personnel is defined as the Municipal Manager, Chief Financial Officer and all other managers reporting directly to the Municipal Manager or as designated by the Municipal Manager.

20. EVENTS AFTER THE REPORTING DATE

Events after the reporting date that have been classified as adjusting events have been accounted for in the Annual Financial Statements. The events after the reporting date that are classified as non-adjusting events after the reporting date have been disclosed in the notes to the Annual Financial Statements.

21. COMPARATIVE INFORMATION

21.1 Prior year comparatives

When the presentation or classification of items in the Annual Financial Statements is amended, prior period comparative amounts are reclassified. The nature and reasons for the reclassification are disclosed.

22. CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in the notes to the annual financial statements.

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of the following:

Cash on hand

Cash at bank FNB Primary Account - 62022648169

FNB Call Account - 62032587331

FNB Call Account - 62095523281

FNB Call Account - 62138538692

Cash Book Balance at end of year

2012 R	2011 R
300	300
1 145 901	142 338
2 182 829	1 121
209 328	201 312
1 084	1 041
3 539 442	346 112

The Municipality has the following bank accounts:

Current Account (Primary Bank Account)

FNB Ixopo branch Account Number 63022648169

Cash book balance at beginning of year

Cash book balance as at 30 June 2012

130 407	2 033 584
1 145 901	130 407

FNB Ixopo

Bank Statement Balance at beginning of year

Bank Statement Balance at end of year

142 338	2 002 091
1 145 901	142 338

2 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables

For the Period ended 30 June 2012

Service debtors

Rates

Water

Sewerage

Value added taxation

Total Trade Receivables

Gross Balance	Provision for Doubtful Debts	Net Balance
R	R	R
270 941	270 941	-
35 855 244	33 640 360	2 214 883
17 150 851	16 304 791	846 061
7 437 155	6 979 150	458 006
60 714 192	57 195 241	3 518 950

Year Ended 30 June 2011

Service debtors

Rates

Water

Sewerage

Value added taxation

Total Trade Receivables

271 937	240 348	31 589
30 804 836	27 236 953	3 567 883
9 145 566	8 083 176	1 062 390
5 582 006	4 933 575	648 431
45 804 345	40 494 052	5 310 293

Rates: Ageing

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days

Total Rates

-	8 449
-	25 347
-	33 796
270 941	204 345
270 941	271 937

Water & Sanitation : Ageing

Current (0 – 30 days)

31 - 60 Days

61 - 90 Days

91 - 120 Days Plus

Total Water & Sanitation

4 042 215	2 901 132
2 588 636	3 600 845
2 225 514	3 752 924
51 586 885	35 277 507
60 443 250	45 532 408

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2.1 Reconciliation of the doubtful debt provision

	2012 R	2011 R
Balance at beginning of the year	40 494 052	58 094 755
Contributions to provision	17 714 163	6 303 189
Additional contribution from surplus/deficit	-	-
Doubtful debts written off against provision	(1 012 974)	(23 903 892)
Balance at 30 June 2012	57 195 241	40 494 052

The impairment is based on the percentage collection ratio per local district area for 2011/2012

Trade and other receivables past due and partially impaired

Impairment is calculated at year end.

Trade and other receivables impaired

Debt written off for the period amounts to R1 012 974

The amount of the total provision was R 40 494 052 as at 30 June 2011

The fair value of trade and other receivables approximates their carrying amounts.

2.2 OTHER DEBTORS

ABSA - Loan Funding

Kokstad Municipality - Transnet Grant

Total Other Debtors

-	30 000 000
2 000 000	-
2 000 000	30 000 000

3 INVENTORIES

Opening balance of inventories

Water	54 295	49 914
Additions:	54 295	49 914
Water	61 267	4 381
	61 267	4 381

Closing Balance of Inventories

115 562	54 295
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Bulk purchases

Kilolitre stock

Average price per kilolitre

R	7 712 971	R	6 997 569
	38 307		18 510
R	3.69	R	3.48

The average losses in Kokstad, Ingwe, Kwa Sani and Umzimkhulu are estimated to between 35% to 45%. Ixopo is being managed by Umgeni Water and the real losses will be in the same range.

4 INVESTMENTS

Financial Instruments

RMB - 100456/DC3F0018

Nedbank - 18214604

Total Investments

Fixed deposit

Fixed deposit

-	407 848
-	6 304 162
-	6 712 010

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

5 PROPERTY, PLANT AND EQUIPMENT

5.1 Reconciliation of Carrying Value

Carrying Values at 30 June 2011

	Land		Buildings		Infrastructure/ Water Services		Community		Other Assets		Finance lease assets		Total	
	R		R		R		R		R		R		R	
Cost	5 146 800		27 837 614		737 213 446		37 695 132		51 410 203		5 266 587		864 569 782	
Accumulated depreciation and impairment losses	5 146 800		33 419 069		889 503 041		41 810 995		63 791 835		6 598 613		1 040 270 353	
Prior -year adjustment:	-		(5 581 455)		(152 289 595)		(4 115 863)		(12 381 632)		(1 332 026)		(175 700 571)	
Acquisitions	-		-		-		-		1 886 002		-		1 886 002	
Work in progress	-		-		149 623 922		-		-		-		149 623 922	
Depreciation	-		-		(16 174 252)		(88 214)		(1 404 482)		-		(17 666 947)	
Disposals:	-		-		-		-		-		-		-	
Cost	-		-		-7 838 142		-25 612 705		-254 510		-		-33 705 357	
Depreciation	-		-		-12 979 867		-30 447 075		-366 182		-		-43 793 124	
Impairment cost	-		-		5 141 725		4 834 370		111 672		-		10 087 767	
Assets not previously recognized	-		-		(4 772 600)		-		-		-		(4 772 600)	
Financial year ended 30 June 2012	-		-		20 468 321		-		12 000		-		20 480 321	
Cost	5 146 800		27 837 614		878 520 695		11 994 213		51 649 214		5 266 587		980 415 123	
Accumulated depreciation and impairment losses	5 146 800		33 419 069		1 046 615 417		11 363 920		65 323 656		6 598 613		1 168 467 474	
	-		(5 581 455)		(168 094 722)		630 294		(13 674 442)		(1 332 026)		(188 052 351)	

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

5 PROPERTY, PLANT AND EQUIPMENT

5.2 Reconciliation of Carrying Value

Carrying Values at 30 June 2010

Cost
 Accumulated depreciation and impairment losses

Acquisitions

Work in progress

Depreciation

Other movements

Financial year ended 30 June 2011

Cost
 Accumulated depreciation and impairment losses

Land	Buildings		Infrastructure		Community		Other Assets		Finance lease assets		Total	
R	R	R	R	R	R	R	R	R	R	R	R	R
-	27 805 151	620 756 523	22 569 586	51 799 483	3 019 877	725 950 620						
-	32 704 769	758 538 209	26 091 916	61 920 470	3 280 570	882 535 934						
-	(4 899 618)	(137 781 686)	(3 522 330)	(10 120 987)	(260 693)	(156 585 314)						
5 146 800	714 300	5 674 130	1 150 025	1 871 365	3 318 043	-						
-	-	125 290 702	14 569 054	-	-	17 874 663						
-	(681 837)	(14 987 472)	(593 533)	(2 260 645)	(1 071 333)	133 041 536						
-	-	479 563	-	-	-	(19 594 820)						
5 146 800	27 837 614	737 213 446	37 695 132	51 410 203	5 266 587	864 569 782						
5 146 800	33 419 069	889 503 041	41 810 995	63 791 835	6 598 613	1 040 270 353						
-	(5 581 455)	(152 289 595)	(4 115 863)	(12 381 632)	(1 332 026)	(175 700 571)						

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

5.3 INTANGIBLE ASSETS

Reconciliation of Carrying Value

	2012 R
Carrying Values at 30 June 2011	311 624
Cost	1 378 842
Accumulated depreciation and impairment losses	(1 067 218)
Assets Revaluation Adjustment	-
Depreciation Revaluation Adjustment	-
Acquisitions	66 213
Amortisation Charges	(191 756)
Impairment loss	-
Transfers	-
Other movements	-
For the period ended 30 June 2012	186 081
Cost	1 445 055
Accumulated depreciation and impairment losses	(1 258 974)

5.3 INTANGIBLE ASSETS

Reconciliation of Carrying Value

	2011 R
Carrying Values at 30 June 2010	471 004
Cost	1 321 342
Accumulated depreciation and impairment losses	(850 338)
Assets Revaluation Adjustment	-
Depreciation Revaluation Adjustment	-
Acquisitions	57 500
Amortisation Charges	(216 880)
Impairment loss	-
Transfers	-
Other movements	-
Financial year ended 30 June 2011	311 624
Cost	1 378 842
Accumulated depreciation and impairment losses	(1 067 218)

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

6 TRADE AND OTHER PAYABLES FROM EXCHANGE TRANSACTIONS

	2012 R	2011 R
Accounts Payable	28 734 629	38 186 731
Retentions	15 988 006	10 210 553
Rental Accruals	40 113	-
Unknown deposits	1 331 730	1 151 346
Other		882 975
Total Trade and Other from Exchange Transactions	46 094 478	50 431 605
Ageing		
Current (0 - 30 Days)	20 106 284	33 198 078
31 - 60 Days	4 977 755	4 945 795
61 - Days & older	3 650 590	23 791
Total	28 734 629	38 167 664

The fair value of trade and other payables approximates their carrying amounts.

7 CONSUMER DEPOSITS

Water deposits	881 336	786 911
Total Consumer Deposits	881 336	786 911

No Interest is payable on consumer deposits.
No guarantees held in lieu of water deposits.

8 VAT RECEIVABLE

Vat reconciliation	7 326 338	6 323 585
Year end sundry creditors vat reclaimable	2 482 964	3 258 155
VAT on capital leases	438 254	543 317
Vat consumer debtors	(7 437 155)	(5 582 006)
Vat provision for bad debt	6 979 150	-
Total VAT Receivable	9 789 550	4 543 051

VAT receivable closing balance as at 30 June 2012

Ageing	
Current	-
30 Days	7 326 338
Total	7 326 338

VAT is payable on payment and receipts basis. VAT is paid over to SARS only once payment is received from debtors and creditors payments authorized in the bank control.

9 PROVISIONS

Provision for leave pay	5 249 316	4 676 545
Total Provisions	5 249 316	4 676 545

The movement in current provisions are reconciled as follows: -

Balance 30 June 2011	Provision for leave
Contributions to provision	4 676 546
Expenditure incurred	1 260 571
Year ended 30 June 2012	(687 800)
	6 249 316

Year ended 30 June 2010	4 021 097
Contributions to provision	1 053 121
Expenditure incurred Adjustment	(397 673)
Year ended 30 June 2011	4 676 545

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

9.1 RETIREMENT BENEFIT LIABILITY

Post-retirement Health Care Benefit Liability

Balance at beginning of year
Contributions to Provision
Benefits paid
Balance at end of year
Less current portion
Non-current portion

2012 R	2011 R
3 956 553	2 999 651
1 421 713	990 790
(37 104)	(33 888)
5 341 162	3 956 553
41 292	37 104
5 299 870	3 919 449

The following information regarding Health Care benefits pertains to the 2012 financial year:
Post-retirement Health Care Benefit Liability - Continued

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Weiss Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the Projected Unit Credit Method.

The members of the post-employment Medical Aid Benefit Plan are made up as follows:

In-service Members (Employees)
Continuation Members (Retirees, widowers and orphans)
Total Members

153	134
1	1
154	135

The liability in respect of past service has been estimated as follows:

In-service Members
Continuation Members
Total Liability

4 788 965	3 448 921
552 197	507 632
5 341 162	3 956 553

The municipality makes monthly contributions for health care arrangements to the following Medical Aid Schemes:

Bonita's
Hosmed
Keyhealth
LA Health
Samwumed

The principal assumptions used for the purposes of the actuarial valuations were as follows:

Discount rate
Health Care Cost inflation Rate
Net Effective Discount Rate
Expected Retirement Age - Females
Expected Retirement Age - Males

8.48%	8,76%
7.2%	7,49%
1.2%	1,19%
55	55
60	60

Movements in the present value of the Defined Benefit Obligations were as follows

Balance at the beginning of the year:
Current service costs
Interest cost
Benefits paid
Actuarial losses/ (gains)
Present Value of Fund Obligation at the end of the year

3 956 553	2 999 651
556 359	372 740
351 843	271 116
(37 104)	(33 888)
513 511	346 934
5 341 162	3 956 553

The amounts recognised in the Statement of Financial Performance are as follows

Current service cost
Interest cost
Actuarial losses / (gains)
Total Post-retirement Benefit included in Employee Related cost

556 359	372 740
351 843	271 116
513 511	346 934
1 421 713	990 790

**SISONKE DISTRICT MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2012**

: SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the Municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made. The assumption which tends to have the greatest impact on the results is the rate of health care cost inflation relative to the discount rate.

Sensitivity Results

The liability at the Valuation Date was recalculated to show the effect of:
(i) A 1% increase and decrease in the assumed rate of health care cost inflation;
(ii) A one-year age reduction in the assumed rates of post-retirement mortality;
(iii) A one-year decrease in the assumed average retirement age; and
(iv) A 50% reduction in the assumed withdrawal rates
The following Table summarises the results of the sensitivity analysis.

Post-retirement Health Care Benefit Liability - Continued

: Sensitivity Analysis on the Accrued Liability (R Millions)

Assumption	Change	In-service	Continuation	Total	% change
Central Assumptions		4.789	0.552	5.341	
Health care inflation	1%	5.692	0.585	6.278	18%
	-1%	4.054	0.523	4.577	-14%
Post-retirement mortality	-1 yr	4.962	0.575	5.536	4%
Average retirement age	-1 yr	5.522	0.552	6.074	14%
Withdrawal Rate	-50%	5.737	0.552	6.289	18%

Note: The post-retirement mortality adjustment assumes that someone aged 70 will experience the mortality of someone aged 69. The liability is expected to increase under this scenario because members are expected to live longer

The table above indicates, for example, that if medical inflation is 1% greater than the long-term assumption made, the liability will be 20% higher than that shown.

: Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2012

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central Assumptions		556,400	351,800	908,200	
Health care inflation	+1%	687,900	423,600	1,111,500	22%
	-1%	454,300	295,200	749,500	-17%
Post-retirement mortality	-1 yr	576,000	364,500	940,500	4%
Average retirement age	-1 yr	698,200	391,100	1,089,300	20%
Withdrawal Rate	-50%	751,900	433,300	1,185,200	30%

: Sensitivity Analysis on the Current-service and Interest Costs for the year ending 30/06/2013

Assumption	Change	Current-service Cost	Interest Cost	Total	% change
Central Assumptions		706,200	451,400	1,157,600	
Health care inflation	+1%	847,700	530,900	1,378,600	19%
	-1%	592,400	386,600	979,000	-15%
Post-retirement mortality	-1 yr	731,600	468,000	1,199,600	4%
Average retirement age	-1 yr	704,700	513,600	1,218,300	5%
Withdrawal Rate	-50%	900,300	531,900	1,432,200	24%

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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3.2 Long Services Awards Provision

Provision for Long-term Service
Total Provision

2012 R	2011 R
2 303 202	1 886 572
<u>2 303 202</u>	<u>1 886 572</u>

The movement in the provision are reconciled as follows:

Long-term Service

Balance at beginning of year
Contribution to provision
Benefits paid
Balance at end of year
Less Current Portion
Non-current Portion

1 886 572	1 469 353
681 456	593 233
(264 826)	(176 014)
<u>2 303 202</u>	<u>1 886 572</u>
<u>176 112</u>	<u>264 826</u>
<u>2 127 090</u>	<u>1 621 746</u>

Long-service Awards

The municipality operate an unfunded defined benefit plan for all its employees. Under the plan a Long-service Award is payable after 10 years thereafter to employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2012 by Mr C Welss, Fellow of the Actuarial Society of South Africa.

The principal assumptions used for the purposes of the actuarial valuation were as follows:

Discount rate	6.76%	8,01%
Salary Cost inflation rate	5.95%	6,32%
Nett Effective Discount Rate	0.76%	1,59%
Expected Retirement Age - Females	55	55
Expected retirement Age - Males	60	60

Long Services Awards Provision - Continued

The following information regarding Long Service provision pertains to the 2012 financial year:

Movements in the present value of the Defined Benefit Obligation were as follows:

Balance at the beginning of the year	1 886 572	1 469 353
Current service cost	353 790	228 987
Interest cost	140 784	112 859
Benefits paid	(264 826)	(176 014)
Actuarial losses/(gains)	186 882	251 387
Fund obligation at the end of the year	<u>2 303 202</u>	<u>1 886 572</u>

SENSITIVITY ANALYSIS

The results presented are based on a number of assumptions. The extent to which the actual liability faced in the future by the municipality differs from these results will depend on the extent to which actual experience differs from the assumptions made.

The assumptions which tend to have the greatest impact on the results are:

- (1) The discount rate relative to the salary inflation assumptions;
- (2) The average retirement age of employees; and
- (3) Assumed rates of withdrawal of employees from service.

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

10 UNSPENT CONDITIONAL GRANTS AND RECEIPTS

	2012 R	2011 R
Capital Grants	18 517 145	28 392 580
COGTA Grant	-	1 885 994
Disaster Management Grant	-	2 568 709
Massification (CoGTA)	-	2 250
EPWP Grant	18 517 145	32 849 534
Total Unspent Capital Grants		
Operating Grants	-	5 588
Municipal System Improvement Grant	-	2 083
Financial Management Grant	-	213
Water Services Subsidy Grant	-	1 609
LG Seta Skills Program	46 673	188 273
Inter Governmental Grant	3 616 847	4 820 289
Development Planning Shared Services Grant	-	704 799
Corridor Development Grant (Hawker Stalls) - (CoGTA)	482 458	1 433 710
Sihelza Maize production project - (CoGTA)	725 000	725 000
Government Experts - (CoGTA)	1 472 000	-
Signage Grant - CoGTA	6 342 978	7 881 564
Total Unspent Operating Grants	24 860 123	40 731 098
Total Conditional Grants and Receipts		

11 BORROWINGS

Annuity Loans	32 175 227	35 316 804
Total Loans	32 175 227	35 316 804
Less : Current portion transferred to current liabilities	(3 332 905)	(2 832 805)
Total Borrowings	28 842 322	32 483 999

12 FINANCE LEASE LIABILITY

	Minimum lease payment R	Present value of minimum lease payments R
2012		
Amounts payable under finance leases	1 931 166	1 578 104
Within twelve months	4 042 804	3 279 689
Within two to five years	5 973 970	4 857 793
Total Finance Lease Liability		1 578 104
Less: Amount due for settlement within 12 months (current portion)		3 279 689
2011		
Amounts payable under finance leases	1 589 071	1 589 071
Within one year	4 351 992	4 351 992
Within two to five years	5 941 063	5 941 063
Total Finance Lease Liability		1 358 089
Less amount due for settlement within 12 months (current portion)		4 582 974

The average lease term is 4 years and the average effective borrowing rate is 8,5%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate by 10 % per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

SISONKE DISTRICT MUNICIPALITY
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2012
R

2011
R

13 PROPERTY RATES

Actual

Agricultural and State Owned
Total property rates

-	403 054
-	403 054

Reconciliation of Property Rates

Total property rates
Less rebates for first year as prescribed by Assessment Rates Act.
Assessment rates raised
Property rates - penalties imposed and collection charges
Total Property Rates after Rebate

-	403 054
-	209 351
-	193 703
-	-
-	193 703

Valuations

Agricultural
State Owned
Total Property Valuations

-	6 140 000
-	74 935 000
-	81 075 000

Rates have been transferred to Kwa Sani Local Municipality as from 1 July 2011 in terms of the powers and functions.

14 SERVICE CHARGES

Sale of water
Sewerage and sanitation charges
Total Service Charges

25 333 082	16 887 475
11 237 414	14 704 690
36 570 497	31 592 165

15 RENTAL OF FACILITIES AND EQUIPMENT

Other rentals
Total Rentals

48 335	82 231
48 335	82 231

16 INTEREST EARNED - EXTERNAL INVESTMENTS

Interest on investments
Interest on current account
Total interest on External Investments

1 775 831	5 401 021
425 688	253 815
2 201 519	6 654 836

17 GOVERNMENT GRANTS AND SUBSIDIES

Equitable share
Government Grants and Subsidies
Total Government Grant and Subsidies

182 472 000	156 283 776
204 316 899	157 764 152
386 788 899	314 047 928

17.1 Equitable Share
Total Equitable Share as per Dora

182 472 000	156 283 776
182 472 000	156 283 776

17.2 MIG Grant

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Conditions still to be met - remain liabilities (see note 10)

-	2 870 804
136 610 000	76 604 000
(136 610 000)	(79 474 804)
-	-

Construction of infrastructure of water and sanitation in the greater Sisonke District.

17.3 DWAF Grant

Balance unspent at beginning of year
Current year receipts
Conditions met - transferred to revenue
Conditions still to be met - remain liabilities (see note 10)

-	-
-	6 174 949
-	(6 174 949)
-	-

Upgrading of existing waste water infrastructure in Kokstad.

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2012 R	2011 R
Umzimkhulu CoGTA Grant		
Balance unspent at beginning of year	28 392 580	32 454 437
Current year receipts	25 320 000	36 873 000
Conditions met - transferred to revenue	(35 195 435)	(40 934 857)
Conditions still to be met - remain liabilities (see note 10)	<u>18 517 145</u>	<u>28 392 580</u>
Infrastructure and upgrading of water and sanitation projects in the Umzimkhulu Local Municipal District.		
Fresh Produce Market Grant		
Balance unspent at beginning of year	-	10 946 162
Current year receipts	-	-
Conditions met - transferred to revenue	-	(10 946 162)
Conditions still to be met - remain liabilities (see note 10)	<u>-</u>	<u>-</u>
Infrastructure of Fresh Produce Market In the Sisonke Municipal District.		
Disaster Management		
Balance unspent at beginning of year	1 885 994	1 821 038
Current year receipts	-	1 500 000
Conditions met - transferred to revenue	(1 885 994)	(1 435 044)
Conditions still to be met - remain liabilities (see note 10)	<u>-</u>	<u>1 885 994</u>
Infrastructure of Disaster Management Offices in the Sisonke Municipal District.		
Municipal Systems Improvement Grant		
Balance unspent at beginning of year	5 588	4 911
Current year receipts	790 000	750 000
Conditions met - transferred to revenue	(795 588)	(749 323)
Conditions still to be met - remain liabilities (see note 10)	<u>-</u>	<u>5 588</u>
To assist municipalities in building In-house capacity to perform their functions and stabilise institutional and governance systems.		
Financial Management Grant		
Balance unspent at beginning of year	2 083	23 808
Current year receipts	1 250 000	1 000 000
Conditions met - transferred to revenue	(1 252 083)	(1 021 725)
Conditions still to be met - remain liabilities (see note 10)	<u>-</u>	<u>2 083</u>
Learnership Grant		
Balance unspent at beginning of year	-	782 000
Current year receipts	-	-
Conditions met - transferred to revenue	-	(782 000)
Conditions still to be met - remain liabilities (see note 10)	<u>-</u>	<u>-</u>
To promote and support reforms in financial management by building capacity In the Municipality in order to compile with Local Government Legislation		
Water Services Subsidy Grant		
Balance unspent at beginning of year	213	380 846
Current year receipts	323 061	318 660
Conditions met - transferred to revenue	(323 274)	(699 293)
Conditions still to be met - remain liabilities (see note 10)	<u>-</u>	<u>213</u>
Operating grant from DWAF for employee rates cost and other operating expenses.		

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
7.11 LG Seta		
Balance unspent at beginning of year	1 609	
Current year receipts	262 483	94 233
Conditions met - transferred to revenue	(264 091)	(92 624)
Conditions still to be met - remain liabilities (see note 10)	<u>-</u>	<u>1 609</u>
Discretionary and mandatory grant from LG Seta for capacity building.		
7.12 Inter Governmental Grant		
Balance unspent at beginning of year	188 273	803
Current year receipts		417 000
Conditions met - transferred to revenue	(141 600)	(229 530)
Conditions still to be met - remain liabilities (see note 10)	<u>46 673</u>	<u>188 273</u>
Operational grant for strategic support.		
7.13 Gijima Grant		
Balance unspent at beginning of year	-	235 810
Current year receipts	-	-
Conditions met - transferred to revenue		(235 810)
Conditions still to be met - remain liabilities (see note 10)	<u>-</u>	<u>-</u>
7.14 IDP Grant		
Balance unspent at beginning of year	-	185 141
Current year receipts	-	-
Conditions met - transferred to revenue		(185 141)
Conditions still to be met - remain liabilities (see note 10)	<u>-</u>	<u>-</u>
7.15 Development Bank of SA		
Balance unspent at beginning of year	-	406 480
Current year receipts	-	-
Conditions met - transferred to revenue		(406 480)
Conditions still to be met - remain liabilities (see note 10)	<u>-</u>	<u>-</u>
7.16 Development Planning Shared Services		
Balance unspent at beginning of year	4 820 289	4 050 000
Current year receipts	-	-
Conditions met - transferred to revenue	(1 203 442)	(767 711)
Adjustments	-	1 538 000
Conditions still to be met - remain liabilities (see note 10)	<u>3 616 847</u>	<u>4 820 289</u>
Participating Municipalities to deliver development planning services to the public and to share resources in accordance with the provisions of the agreement.		
7.17 Neighbourhood Development Grant		
Balance unspent at beginning of year	-	2 499 235
Current year receipts	-	-
Conditions met - transferred to revenue		(2 499 235)
Conditions still to be met - remain liabilities (see note 10)	<u>-</u>	<u>-</u>
To Improve quality of life of residents in township areas through the creation of economically viable and sustainable neighbourhoods.		
18 Change Management Committee Grant		
Balance unspent at beginning of year	-	51 685
Current year receipts	-	-
Conditions met - transferred to revenue		(51 685)
Conditions still to be met - remain liabilities (see note 10)	<u>-</u>	<u>-</u>

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2012 R	2011 R
.19 Support Staff Grant		
Balance unspent at beginning of year	-	24 462
Current year receipts	-	-
Conditions met - transferred to revenue		(24 462)
Conditions still to be met - remain liabilities (see note 10)	-	-
.20 Transformation Managers Grant		
Balance unspent at beginning of year	-	518 040
Current year receipts	-	-
Conditions met - transferred to revenue		(518 040)
Conditions still to be met - remain liabilities (see note 10)	-	-
.21 Drought Relief Grant		
Balance unspent at beginning of year	-	9 054
Current year receipts	-	-
Conditions met - transferred to revenue		(9 054)
Conditions still to be met - remain liabilities (see note 10)	-	-
.22 Sports and Recreation Programme Grant		
Balance unspent at beginning of year	-	550 497
Current year receipts	-	-
Conditions met - transferred to revenue		(550 497)
Conditions still to be met - remain liabilities (see note 10)	-	-
.23 Public Transport Grant		
Balance unspent at beginning of year	-	66 587
Current year receipts	-	-
Conditions met - transferred to revenue		(66 587)
Conditions still to be met - remain liabilities (see note 10)	-	-
.24 Municipal Monitoring System Grant		
Balance unspent at beginning of year	-	300 000
Current year receipts	-	-
Conditions met - transferred to revenue		(300 000)
Conditions still to be met - remain liabilities (see note 10)	-	-
.25 MAP Grant		
Balance unspent at beginning of year	-	10 436
Current year receipts	-	-
Conditions met - transferred to revenue		(10 436)
Conditions still to be met - remain liabilities (see note 10)	-	-
.26 GIS Support Grant		
Balance unspent at beginning of year	-	141 087
Current year receipts	-	-
Conditions met - transferred to revenue		(141 087)
Conditions still to be met - remain liabilities (see note 10)	-	-
.27 PMS Grant		
Balance unspent at beginning of year	-	445 055
Current year receipts	-	390 932
Conditions met - transferred to revenue		(835 987)
Conditions still to be met - remain liabilities (see note 10)	-	-
For implementation of Performance Management System component.		

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
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	2012 R	2011 R
7.28 LED Grant		
Balance unspent at beginning of year	-	518 008
Current year receipts	-	-
Conditions met - transferred to revenue	-	(518 008)
Conditions still to be met - remain liabilities (see note 10)	-	-
	-	-
7.29 Umzimkhulu Arts Culture and Tourism		
Balance unspent at beginning of year	-	4 797 090
Current year receipts	-	-
Conditions met - transferred to revenue	-	(4 797 090)
Conditions still to be met - remain liabilities (see note 10)	-	-
	-	-
7.30 Corridor Development Grant (Hawker Stalls)		
Balance unspent at beginning of year	704 799	2 450 000
Current year receipts	-	-
Conditions met - transferred to revenue	(704 798)	(1 745 201)
Conditions still to be met - remain liabilities (see note 10)	-	704 799
	-	-
Infrastructure of Hawker Stalls in the Sisonke Municipal District.		
7.31 SIHLEZA Maize Production Project (COGTA)		
Balance unspent at beginning of year	1 433 710	-
Current year receipts	-	1 500 000
Conditions met -transferred to revenue	(951 252)	(66 290)
	482 458	1 433 710
Grant for LED projects within the Sisonke Municipal District.		
7.32 EPWP Grant		
Balance unspent at beginning of year	2 250	-
Current year receipts	5 135 000	45 000
Conditions met transferred to revenue	(5 137 250)	(42 750)
Conditions still to be met	-	2 250
	-	-
7.33 Government Experts		
Balance unspent at beginning of year	725 000	-
Current year receipt	-	725 000
Conditions met transferred to revenue	-	-
Conditions still to be met	725 000	725 000
	-	-
7.34 Department of Water Affairs		
Balance unspent at beginning of year	-	-
Current year receipts	-	458 000
Conditions met transferred to revenue	-	(458 000)
Conditions still to be met	-	-
	-	-
7.35 Massification (COGTA)		
Balance unspent at beginning of year	2 568 709	-
Current year receipts	1 494 000	3 563 000
Conditions met transferred to revenue	(4 062 709)	(994 291)
Conditions still to be met	-	2 568 709
	-	-
7.37 Rural Transport Service & Infrastructure Grant		
Balance unspent at beginning of year	-	-
Current year receipts	1 688 000	-
Conditions met transferred to revenue	(1 688 000)	-
Conditions still to be met	-	-
	-	-

SISONKE DISTRICT MUNICIPALITY
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	2012 R	2011 R
17.38 Signage Grant -CoGTA		
Balancing unspent at beginning of year		-
Current year receipts	1 722 000	-
Conditions met transferred to revenue	(250 000)	-
Conditions still to be met	1 472 000	-
17.39 Rural Bulk Infrastructure Grant		
Balancing unspent at beginning of year		-
Current year receipts	13 851 383	-
Conditions met transferred to revenue	(13 851 383)	-
Conditions still to be met	-	-
18 OTHER INCOME, PUBLIC CONTRIBUTIONS AND DONATIONS		
Sundry income	6 581 891	1 595 456
Unknown deposits	654 882	-
Property, plant and equipment not previously recognized (Refer to Note 5)	20 480 321	-
Kokstad Municipality -Transnet/Franklin	2 000 000	-
Total Other Income	29 717 094	1 595 456
19 EMPLOYEE RELATED COSTS		
Employee related costs - Salaries and Wages	51 013 551	41 266 679
Travel, motor car, accommodation, subsistence and other allowances	6 193 866	3 259 344
Housing benefits and allowances	143 550	126 649
Overtime payments	3 702 545	2 883 382
Health care retirement benefit	1 384 609	956 902
Long-service awards	609 567	417 219
Social contributions - SALGBC	14 875	12 923
Social contributions - Medical Aid	2 574 703	1 978 075
Social contributions - Pension Fund	5 965 949	4 892 865
Social contributions - UIF	371 598	313 965
Total Employee Related Costs	71 974 823	56 108 003
Remuneration of the Municipal Manager		
Annual Remuneration	558 880	555 409
Travel, motor car, accommodation, subsistence and other allowances	325 169	359 504
Cellphone Allowance	18 000	18 000
Social contributions - UIF	1 497	1 497
Social contributions - SALGBC	49	49
Total Remuneration of the Municipal Manager	903 595	934 459
Remuneration of the Chief Finance Officer		
Annual Remuneration	516 680	458 415
Travel, motor car, accommodation, subsistence and other allowances	330 195	377 607
Cellphone Allowance	11 700	15 600
Social contributions - UIF	1 123	1 497
Social contributions - Medical Aid	24 900	31 288
Social contributions - SALGBC	37	49
Total Remuneration of the Chief Financial Officer	884 635	884 456

SISONKE DISTRICT MUNICIPALITY
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FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
Remuneration of Individual Executive Directors		
Year ended 30 June 2012		
Annual Remuneration		
Travel, motor car, accommodation, subsistence and other allowances	394 476	535 188
Cellphone Allowance	264 841	206 213
Social contributions - UIF	15 600	15 600
Social contributions - Pension Fund	1 497	1 497
Social contributions - Medical Aid	59 171	-
Social contributions - SALGBC	24 523	-
Total Remuneration of Executive Directors	760 158	866 665

	Water Services R	Infrastructure R	Economic Services R
Year ended 30 June 2012			
Annual Remuneration			
Travel, motor car, accommodation, subsistence and other allowances	411 567	469 476	
Cellphone Allowance	205 095	274 420	
Social contributions - UIF	11 700	15 600	
Social contributions - SALGBC	1 123	1 497	
Total Remuneration of Executive Directors	629 522	761 042	

Remuneration of Individual Executive Directors

	Water Services R	Infrastructure R	Economic Services R
Year ended 30 June 2011			
Annual Remuneration			
Travel, motor car, accommodation, subsistence and other allowances	381 375	534 087	444 250
Cellphone Allowance	264 241	206 213	271 997
Social contributions - UIF	15 600	15 600	15 600
Social contributions - Pension Fund	1 497	1 497	1 497
Social contributions - Medical Aid	57 206	-	-
Social contributions - SALGBC	22 529	-	26 998
Total Remuneration of Executive Directors	742 497	757 446	760 391

	Corporate Services R	Operations R
Year ended 30 June 2011		
Annual Remuneration		
Travel, motor car, accommodation, subsistence and other allowances	466 840	468 381
Cellphone Allowance	279 595	271 920
Social contributions - UIF	15 600	15 600
Social contributions - SALGBC	1 497	1 497
Total Remuneration of Executive Directors	763 581	757 447

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

20 REMUNERATION OF COUNCILLORS

Council Allowances
Total Councillors' Remuneration

2012 R	2011 R
4 413 410	3 833 362
4 413 410	4 050 595

In-kind Benefits

The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor has use of a Council owned vehicle for official duties.

Annual remuneration - Mayor
Social contributions - Pension Fund
Social contributions - Medical Aid
Social contributions - UIF
Total Councillors' Remuneration

564 899	543 850
123 158	208 042
52 305	66 665
1 996	5 740
742 358	824 297

Annual remuneration - Deputy Mayor
Social contributions - Pension Fund
Social contributions - Medical Aid
Social contributions - UIF
Total Councillors' Remuneration

474 861	300 873
89 644	59 637
16 890	1 656
1 996	2 995
583 392	365 161

Annual remuneration - Speaker
Social contributions - Pension Fund
Social contributions - Medical Aid
Social contributions - UIF
Total Councillors' Remuneration

466 695	386 680
91 785	78 017
-	41 842
1 996	2 745
560 476	509 284

Annual remuneration - Executive Committee
Social contributions - Pension Fund
Social contributions - Medical Aid
Social contributions - UIF
Total Councillors' Remuneration

1 326 032	949 868
308 796	192 388
32 814	28 960
5 989	9 229
1 673 631	1 180 445

Annual remuneration - Councillors
Total Councillors' Remuneration

853 552	1 435 174
853 552	1 710 535

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

21 DEPRECIATION AND AMORTISATION EXPENSE

Property, plant and equipment
Amortisation charges
Total Depreciation and Amortisation

2012 R	2011 R
17 666 947	19 594 820
191 756	216 880
17 858 703	19 811 700

22.1 GENERAL EXPENSES

Included in general expenses are the following:-

Advertising
Annual Report
Audit Fees
By Laws
Communication and Public Relations
Computer Licences Financial Systems
Conferences and Seminars
Cultural Games
Departmental Electricity Consumption
Disability Awareness
Disaster Management
Experiential Learning
Fuel and Oil
Functions
Indigenous Game
Insurance
Kwanalogo Games
LED Sisonke Development Agency
Marketing and Branding
Printing and Stationery
Promotional Material
Protective Clothing and Uniforms
Refreshments Meetings
Rental Offices
Rental Plant
Rental Vehicles
Rural Horse Riding
Skills Development Levy
Sports Development in Local Municipalities
Strategic Planning/Team Building
Subsistence and Travelling
Telephone and Faxes
Mayoral Imbizo
Training
Travelling and Accommodation
Water Monitors
Water Schemes Electricity
Water Schemes Fuel
Winter Games
Other
Total General Expenses

750 336	675 098
224 269	260 700
1 572 644	1 867 946
362 526	358 403
324 592	-
288 970	62 367
1 600 064	1 968 533
500 483	-
338 003	-
368 008	-
1 803 560	2 547 550
306 960	-
3 789 576	2 300 254
1 063 877	1 729 303
470 218	367 100
808 201	1 027 442
4 105 940	1 640 533
16 173 526	-
854 634	-
2 799 149	3 232 130
378 786	-
651 237	323 758
288 270	180 624
736 367	894 259
2 770 525	1 051 193
1 390 198	2 256 646
481 105	-
656 810	506 833
767 777	235 156
497 856	390 584
2 025 637	1 548 488
3 102 083	3 443 549
692 269	4 615 609
968 731	1 505 154
504 119	335 316
3 582 317	-
5 207 536	-
568 601	369 730
393 772	465 221
2 527 111	57 250 199
66 696 644	92 473 880

22.2 GENERAL EXPENSES - COMMUNITY PARTICIPATION

Bursaries - Community
Ceremonial Activities
Mayoral Izimbizo
Mayoral Slots
Nyusi Volume
Other

484 431	529 113
307 078	-
1 663 710	-
551 439	-
570 175	-
1 048 955	12 434 679
4 625 788	12 963 792

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

22.3 GENERAL EXPENSES - CONTRACTED SERVICES

	2012 R	2011 R
Contracted services for:		
AG's Report: Implement of recommendation	2 794 639	-
Annual financial statements	1 106 075	-
Assessment of asset register	2 064 465	2 586 441
Budget Preparation	955 380	3 675 085
Credit Control Strategy	316 399	-
Hopewell Access Road	153 784	-
Stokfela Access Road	1 271 346	-
Access Roads to Voting Stations	1 070 057	-
Gateway Project	432 899	-
GIS Upgrade	317 577	-
Implementation of HIV/AIDS programmes	1 444 562	-
Kokstad Detailed Plan	424 748	-
Legal Fees	986 041	-
Management and Technical Support	1 654 950	-
MFMA Capacity Building Programme	716 316	-
MFMA Reporting Compliance	1 843 652	-
Policies and Reviews	350 221	-
Project Plan Detailed Design	1 443 166	-
Project Plan Design and Contract - Water	1 359 249	-
Quantify the percentage of Water Losses	750 151	-
Rental of Office Equipment	1 209 363	-
Revenue Enhancement Strategy Review	817 815	-
Risk Management and Strategy Audit Assignment	932 980	-
Security services	4 478 208	-
Shared Services	441 701	-
Support to Emerging Farmers	1 365 538	-
VAT Consultant	4 137 145	2 856 240
Water Quality Monitoring	1 090 774	3 633 962
Other Expenditure	4 794 392	14 965 445
Total Contracted Services	40 723 592	27 717 174

22.4 GENERAL EXPENSES - Impairment Costs

Impairment of assets - Refer note 5.1
Total Impairment Costs

4 772 600	-
4 772 600	-

23 CONTRIBUTION TO LEAVE PAY PROVISION

Contribution to Leave
Total Contribution to Leave

1 260 571	1 053 121
1 260 571	1 053 121

24 BULK PURCHASES

Water
Total Bulk Purchases

7 712 971	6 997 569
7 712 971	6 997 569

25 OPERATING GRANT EXPENDITURE

Financial Management Grant
Municipal System Improvement Grant
LG Seta
EPWP Grant
Inter Governmental Grant
Rural Transport Infrastructure Grant
Hawker Stalls Corridor Development Grant - CoGTA
Sihleza Maize Production - CoGTA
Municipal Infrastructure Grant
CoGTA Umzimkhulu Grant
Water Service Subsidy
Other
Total Operating Grant Expenditure

-	-
261 411	1 021 724
795 588	749 321
264 091	92 624
254 219	42 750
141 600	229 530
1 481 007	-
669 067	1 504 977
951 252	66 290
25 746 716	3 391 737
11 034 013	2 462 222
116 592	-
-	58 355 862
41 715 558	67 917 038

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
26 COLLECTION COST		
Commission on collection	3 057 228	2 048 091
Total Collection cost	3 057 228	2 048 091
27 FINANCE COSTS		
Interest on external borrowings	3 972 107	842 509
Total Interest	3 972 107	842 509
28 REPAIRS AND MAINTENANCE		
<u>Included in repairs and maintenance are the following:-</u>		
Maintenance Sanitation Infrastructure	9 339 943	1 284 223
Maintenance Water Infrastructure	9 539 535	5 987 281
Office Building Repairs and Maintenance	2 182 639	1 490 405
Operations Water and Sanitation Plants Infrastructure	9 980 544	3 988 431
Other	1 544 105	1 757 245
Total Repairs and Maintenance	32 586 766	14 507 585
29 LOSS ON DISPOSAL OF ASSETS		
Property, plant and equipment	33 465 357	-
Total Loss on Disposal of Assets	33 465 357	-
30 CASH GENERATED BY OPERATIONS		
Surplus for the year	109 755 212	72 269 647
Adjustment for:-		
Depreciation and amortization	17 858 703	19 811 700
Depreciation on disposals	-	(479 563)
(Gain) Loss on sale of assets	33 465 357	-
Other changes	-	(632 052)
Increase in provisions	1 260 571	1 053 121
Prior year grants	-	-
Changes cash and bank	-	170 030
Lease liability non cash item	-	356 210
Provision to non-current provisions - Health care retirement	1 384 610	(956 902)
Provision to non-current provisions - long service awards	416 630	(417 219)
Other non-cash transactions	(48 056)	425 362
Operating surplus before working capital changes	164 093 028	91 600 334
(Increase) in inventories	(61 267)	(4 381)
(Increase) in receivables	(14 909 847)	(2 798 768)
Increase/(decrease) in conditional grants and receipts	(15 870 975)	(7 190 632)
Increase/(decrease) in trade payables	(4 337 127)	13 039 617
Increase in consumer deposits	94 425	-
Decrease in vat	(5 246 499)	1 967 416
Work in progress	-	-
Increase in borrowings	-	(28 011 189)
(Increase)/Decrease in other debtors	28 000 000	30 000 000
Cash generated by operations	151 761 738	98 602 397
31 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following:		
Bank balances and cash	1 146 201	142 638
Call investments	2 393 241	203 474
Net cash and cash equivalents	3 539 442	346 112

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

2012
R

2011
R

32 ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32.1 Contributions to organised local government

Opening balance
Council subscriptions
Amount paid - current
Balance unpaid (included in payables)

-	-
14 932	12 931
(14 932)	(12 931)
-	-

32.2 Audit fees

Opening balance
Current year audit fee
Amount paid - current year
Balance unpaid (included in payables)

-	-
1 572 644	1 946 606
(1 572 644)	(1 946 606)
-	-

32.3 VAT

VAT input receivables and VAT output payables are shown in note 8. All VAT returns have been submitted by the due date throughout the year.

32.4 PAYE and UIF

Opening balance
Current year payroll deductions
Amount paid - current year
Balance unpaid (included in payables)

-	-
11 252 126	8 962 114
(11 252 126)	(8 962 114)
-	-

32.5 Pension and Medical Aid Deductions

Opening balance
Current year payroll deductions and Council Contributions
Amount paid - current year
Balance unpaid (included in payables)

-	-
12 935 630	6 967 641
(12 935 630)	(6 967 641)
-	-

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

33 CAPITAL COMMITMENTS

33.1 Commitments in respect of capital expenditure
Approved and contracted:

List of Awarded Contracts
Infrastructure

PROJECT NAME

Construction of Franklin Bulk Infrastructure

Mbulelweni Water Supply Scheme

Santombe Water Supply P3

Umzimkhulu Intervention Sewer Emergency

New Disaster Management Centre

Umzimkhulu Electrification of 81 Rural Households in KwaThusi

Umzimkhulu Electrification of 393 Rural Household in Ndawana

Umzimkhulu Bulk Upgrading (Town)

Underberg Waste Water Treatment

Greater Kilimon Water Supply

Greater Kilimon Water Supply

Greater Kilimon Water Supply

Total Approved and contracted: Infrastructure

CAPITAL COMMITMENTS

Approved not contracted:

Infrastructure

Riverside Waste Water

Gala Donnybrook Phase 2

Bulwer Town Emergency Intervention

Franklin Waste Water Works

Kokstad Wastewater Works

Chibini Water Supply

Paninkukhu Water

Refurbishment of Mfulamhle Water Scheme

Makhoba Housing Project (W&S)

Mangwaneni Water Supply

Pholela Waste Water

St Appolinaris Waste Water

Thubaiethu Water Supply

Ixopo Mariathal Water Supply

Total Approved not Contracted

Total Capital Commitments

<u>CONTRACTOR</u>		<u>BID AMOUNT</u>	<u>DATE OF APPOINTMENT</u>
Icon Construction Pty Ltd	R	8 426 754.60	2011/07/
Mageza and Sons Construction cc	R	5 549 704.20	2011/07/
Mchumane Projects	R	13 039 519.00	2011/07/
Abangani Projects	R	3 386 180.86	2011/08/
Thatheni Women Construction	R	11 078 671.46	2011/08/
NCO Electrical	R	757 649.12	2011/08/
Mood Electrical	R	4 083 976.30	2011/08/
Ingonyama Nikon	R	5 560 374.57	2011/08/
Klomac Engineering	R	1 770 872.46	2011/08/
Situkulwane Lesisha Construction	R	2 994 913.88	2011/11/
Mageza and Sons Construction cc	R	7 721 118.76	2011/11/
Mahlaselondwe Trading cc	R	4 161 684.29	2011/11/
		R 68 531 420	

R	1 458 151.00
R	7 000 000.00
R	200 000.00
R	972 101.00
R	3 252 249.00
R	2 000 000.00
R	5 364 629.00
R	3 000 000.00
R	2 127 381.00
R	3 390 919.00
R	140 000.00
R	300 000.00
R	5 893 408.00
R	1 411 247.00
	R 36 510 085

R 105 041 505

33.2 Operating leases

At the reporting date the entity has outstanding commitments under operating leases which fall due as follows:

Operating leases - lessee

Within one year

In the second to fifth year inclusive

Total Operating Leases

Operating Leases consists of the following:

563 994	511 837
197 468	447 811
761 462	959 648

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of seven years and rentals are fixed for an average of three years.

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

34 RETIREMENT BENEFIT INFORMATION

The Council provides retirement benefits to employees by contributing to pension and provident funds. Membership of either pension or provident fund is compulsory for all permanent employees.

The personnel are members of the following pension funds:

Natal Joint Municipal Pension fund(Provident)

Actuarial valuation as at 31 March 2011

Results of valuation

The Fund self insures its risk benefits in excess of the full benefit. It therefore maintains a Risk Reserve Account as a measure of protection against volatility in claims experience.

Benefits:

Pension age - 65 years

Earliest retirement age - 55 years

Full benefit - Initial transfer plus member's contributions plus employer's contributions for full benefits plus investment earnings and bonuses.

Member's portion of full benefits - Initial transfer plus member's contributions plus investment earnings and bonuses.

Benefit on retirement after earliest retirement age or pension age - Full benefit.

Benefit on retirement because of ill health - Full benefit

Benefit on death in service - Full benefit plus 0,7% of annual pensionable salary for each month of potential service to a maximum of 2.1 years salary.

Contributions:

Members may choose to contribute at a rate of 5%,7% or 9,25% of their pensionable emoluments in terms of regulation 14(a)

Participating employers contribute at a rate of 1,95 times of the rate of members contribution in terms of regulation 17(1)(b)

Benchmark:

The benchmark asset allocation determined as being appropriate for the fund, which takes cognisance of membership and liability profile, is stated below.

	Benchmark %
Domestic assets:	
- Equities	65%
- Fixed Interest	35%
International assets:	
RIG	
- Equities	70%
- Hedge fund	30%
ORBIS	
- Equities	50%
- Absolute return funds	50%
Assets	
At market value	R 1 055 633
- Membership Numbers:	9 542

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

**Natal Joint Municipal Pension Fund - (Retirement)
Interim actuarial valuation**

An interim actuarial valuation was performed on 31 March 2011

The statutory actuarial valuation as at 31 March 2000 disclosed that the fund was in shortfall. As required by the Pension Funds act, a "Scheme of Arrangement" was implemented so that the shortfall would be funded over the 9 year period 1 July 2001 to 30 June 2010. The initial surcharge has been reviewed at each annual actuarial valuation.

The employers and members are paying a surcharge equal to 17% of pensionable salaries which is expected to fund the deficit over a five year period to 30 June 2015.

On the DCF funding level has remained approximately the same.

The funding level not improving is mainly due to higher than expected salary increases which is largely offset by the surcharge that's being paid.

The fund's financial condition has improved, with the overall funding level increasing to 119.1% on the DCF method of valuation.

The regulations of the fund have been amended with effect from 1 July 2004, so that the Committee of Management is able to levy a separate surcharge on local authorities which grant excessive salary increases, thereby causing a financial strain on the Fund to the detriment of other stakeholders.

The employers are no longer permitting members to join the Fund, so that it is effectively closed to new members. This means that the average age will increase over time which, in turn, means that the required rate of contribution will also increase.

It is noted that for the DCF valuation at 31 March 2009, an actuarial adjustment of R24 million (investment reserve) was made to the market value of the assets.

On the revised valuation assumptions, a continuation of the current surcharge of 17% of pensionable salaries is required for 5 years after June 2010 to return the funding level to 100%

Benefits:

Pension age - 65 years

Final average emoluments - Average annual pensionable emoluments during the last year of service.

Pension on retirement at pension age - 2.1% of final average emoluments per year of continuous service.

Lump sum on retirement at pension age - 5.5% of final average emoluments per year of service.

Pension on retirement because of ill-health (minimum ten years continuous service) - Pension as for retirement at pension age (no pension payable if a member has had less than 10 years continuous service)

Lump sum on retirement because of ill-health (minimum 10 years continuous service) - Lump sum as for retirement at pension age (A benefit equal to the greater of a resignation benefit or double the member's contribution is paid if he has had less than ten years continuous service)

Pension on retirement because of retrenchment (minimum 10 years continuous service) - Pension as for retirement because of ill-health.

Surviving Spouses pension on death in service - 1.05% of final average emoluments per year of continuous service that the member would have had at the pension age.

Surviving Spouses pension on death of pensioner - 1.05% (0.77% in the case of a pensioner who retired before 1 July 1999) of final average emoluments per year of continuous service.

Lump sum on death in service - Annual pensionable emoluments.

Withdrawal - members contribution plus 5/12% for each month of continuous service (the addition is approximately equal to compound interest at 10% a year) and increased by 5% for each complete year of service up to a maximum of 20 years.

Prescribed minimum benefits: All benefits are subject to the minimum prescribed by the Pension Fund Act.

Benchmark:

The benchmark asset allocation determined as being appropriate for the fund, which takes cognisance of membership and liability profile, is stated below.

	Benchmark %
Assets	
At market value	R 2 059 232
- Membership Numbers: Active members	4 318
: Pensioners	5682

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

**Natal Joint Municipal Pension Fund - (Superannuation)
Statutory actuarial valuation as at 31 March 2011**

The statutory valuation of the fund at 31 March 2005 disclosed that the Fund was in a shortfall position and therefore the Committee of Management levied a surcharge on the local authorities. The surcharge was increased from 6% to 7% effective 1 July 2007 and has been applied towards meeting the shortfall in respect of the liabilities.

The Funds financial condition has deteriorated slightly to a funding level of 95.9%

This position will be reviewed at each future valuation to ensure that the fund does not fall into a shortfall position as a result of large salary increases.

Contributions payable to the Fund at the valuation date, excluding any surcharge expressed as a percentage of the pensionable salaries are:

by members	9,25%
by local authorities	18,00%

The Employers are no longer permitting members to join the Fund, so that it is effectively closed to new members. This means that the average age of members will increase over time which in turn, means that the required rate of contribution will also increase.

The Fund self-insures its risk benefits. The Fund holds a Risk Reserve to cushion it against fluctuations in mortality experience.

Based on the DCF method of valuation, the contribution rate payable at the valuation date was not sufficient to cover the contribution rate required for future service showing a small shortfall of 1,69% of pensionable salaries.

The shortfall in contributions amounts to approximately R13,8 million a year. We do not consider it necessary to adjust the employers rate of contribution at this stage. The matter of the shortfall in contributions will be addressed in the next statutory valuation of the fund as at 31 March 2011.

Benefits:

Pension age - 65 years

Optional retiring date - The date on which a member attains the age of 60 years

Early retirement - as per the regulations

Final average emoluments - Average annual pensionable emoluments during the last year of service.

Bonus service Included in continuous service - One year for 20 completed years of continuous service and thereafter one year for every five completed years of continuous service.

Commutation - A retiring member may commute up to one third of the pension for a lump sum

(members who transfer to the Fund on or after 12 March 1997 may commute a maximum of one seventh of the pension for a lump sum.

Pension on retirement at pension age or at optional retiring date -

2.2% of final average emoluments per year of continuous service

Lump sum on retirement at pension age or at optional retiring date -

8.25% of final average emoluments per year of service

Benchmark %

ASSETS

At market value	R 5 614 553
- Membership Numbers	10 623

Municipal Councillors Pension Fund.

The MCPF is a defined contribution pension fund

Contribution:

: Member	13,75%
: Council	15,00%
Total	28,75%

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

	2012 R	2011 R
35 CONTINGENT LIABILITY		
35.1 Eskom		
Eskom Guarantee	200 000	200 000
Total Contingent Liability	200 000	200 000
35.2 Other Contingent Liability		
Council is awaiting the outcome of the following Civil Claim and Employee Disciplinary actions.:		
The natures of claims as defendant are as follows:		
Infrastructure	-	1 460 242
Advertising costs	32 134	32 113
Professional fees	-	1 000 000
Personnel costs	100 000	100 000
Personnel costs	259 684	190 745
Total Other Contingent Liability as Defendant	391 818	2 783 100
The natures of claims as plaintiff are as follows:		
Civil Claims - Infrastructure	2 000 000	-
Total Other Contingent Liability as Plaintiff	2 000 000	-
35.2 Other Contingent Liability		
Application has been made to the MEC for approval of the Remuneration of the Public Office Bearers, Act No. 20 of 1998 for the financial period 2011/2012. This is in accordance with the terms of grading system prescribed in the Annual Gazette on the determination of the upper limits of salaries, allowances and benefits of different members of the Municipal Council.	437 591	-
Should approval be granted the effect date of implementation of the said application will be 1 July 2011 resulting in a liability of R437 591 in respect of Councillors Allowances. Upon approval from the MEC council will adjust the 2012/2013 Medium-Term Revenue and Expenditure Framework accordingly, via a section 28 adjustment budget of the Municipal Finance Management Act No. 56 of 2003.		
	437 591	-
36 COMPARISON WITH THE BUDGET		
The comparison of the Municipality's actual financial performance with the budget is set out in Annexure E(1). This will be available as at 30 June 2012		

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

37 FINANCIAL INSTRUMENTS

Financial Risk Management Objectives

Due to the largely non-trading nature of activities and the way in which they are financed, municipalities are not exposed to the degree of financial risk faced by business entities. The municipality's Corporate Treasury function provides services to the business, co-ordinates access to domestic financial markets, monitors and manages the financial risk relating to the operations of the Municipality. These risks include market risk (including fair value and interest rate risks). The use of financial derivatives is governed by the municipalities policies approved by Council, which provide written principles on interest rate risk, credit risk, the use of financial derivatives and non-financial derivatives financial instruments, and the investment of excess liquidity. The Municipality does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

37.1 Market Risk

The municipality's activities expose it primarily to the financial risks of changes in interest rates.
 No formal policy exists to hedge volatilities in the interest rate market.

No formal policy exists to hedge volatilities in the interest rate market.

There has been no change to the municipality's exposure to market risks or the manner in which it manages and measures the risk.

37.1.1 Categories of Financial Instruments and Fair Value Estimation

Management considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements to approximate their fair values on 30 June 2012, as a result of the short-term maturity of these assets and liabilities. In accordance with IAS 39.09 the financial assets and liabilities of the municipality are classified as follows:

30 June 2012	2012 Carrying Amount R	2011 Carrying Amount R	2010 Carrying Amount R
FINANCIAL ASSETS			
Investments and Receivables	18 847 942	46 911 466	123 451 4
Investments	-	6 712 010	109 832 2
Cash and Cash Equivalents	3 539 442	346 112	4 597 1
Loans and Receivables	15 308 500	39 853 344	9 021 9
Total Financial Assets	18 847 942	46 911 466	123 451 4
FINANCIAL LIABILITIES			
Financial Liabilities and Creditors	107 987 619	132 493 729	114 918 5
Long-term Liabilities	32 122 011	37 140 134	7 932 5
Trade and Other Payables:	75 865 608	95 353 595	106 986 0
Total Financial Liabilities	107 987 619	132 493 729	114 918 5
Total Financial Instruments	(89 139 678)	(85 582 263)	8 532 9
Movement from previous year	-4.16%	-1102.96%	

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

37.2 Interest Rate Risk Management

The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus/(deficit).

Interest Rate Sensitivity Analysis

The sensitivity analysis below was determined based on the exposure to interest rates at the reporting date. For variable rate long-term instruments, the analysis is prepared assuming the amount of the instrument outstanding at the reporting date was outstanding for the whole year. A 100 basis point increase or decrease was used, which represents management's assessment of the reasonably possible change in interest rates.

Effect of a change in interest rate on interest bearing financial assets and liabilities

Financial Assets

	<u>Classification</u>	2012 R	2011 R
<u>External investments:</u>			
investments	Held to maturity	-	-
Call investment deposits	Available for sale	-	6 712 010
Bank balances and cash	Available for sale	3 539 442	346 112
		3 539 442	7 058 122
Interest received			
Interest Earned - External Investments		2 201 519	5 654 836
Percentage return on investments, based on investments held during the year		5.5%	5.5%
Effect of a change in interest rate on interest earned from external Investments:			
Effect of change in interest rate		4.50%	4.50%
Effect of change in interest rate		1801243	4 626 684
Effect of change in interest rate		6.50%	6.50%
Effect of change in interest rate		230 064	458 778

37.3 Gearing Ratio

The municipality monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current borrowings as shown in the balance sheet) less cash and cash equivalents plus net debt.

	2012 R	2011 R
The gearing ratio at the year-end was as follows:		
Debt	37 033 021	41 331 028
Net Debt	37 033 021	41 331 028
Equity	877 802 069	768 046 856
Net debt to equity ratio	4.22%	5.38%

Debt is defined as Long- and Short-term Liabilities.

Equity includes all Funds and Reserves of the municipality, disclosed as Net Assets in the Statement of Financial Position.

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
37.4 Cash and Cash equivalents (Note 1)		
FNB Ixopo	1 145 901	142 338
Call investment	2 393 241	203 474
	<u>3 539 142</u>	<u>345 812</u>
Cash on hand	300	300
Net Balance	<u>3 539 442</u>	<u>346 112</u>
There is no risk associated with cash and cash equivalents as it is immediately available.		
37.5 Trade and Other receivables from exchange transactions (Note 2)		
Provision for Doubtful Debts	60 714 192	45 804 345
	<u>(57 195 241)</u>	<u>(40 494 052)</u>
Net Balance	<u>3 518 950</u>	<u>5 310 293</u>
37.6 Other investments (Note 4)		
Money market account	-	610 202
30 Day fixed deposit	-	6 304 162
Total Investments	<u>-</u>	<u>6 914 364</u>
Councils investments are with various Financial Institutions therefore the risk is minimal.		
37.7 Trade and other payables from exchange transactions (Note 6)		
Total Trade and Other Payables from Exchange Transactions	<u>46 094 478</u>	<u>50 410 397</u>
37.8 Consumer deposits (Note 7)		
Total Consumer Deposits	<u>881 336</u>	<u>786 912</u>
Consumer deposits are based on a two month usage. As deposits are paid in small amounts there is no risk to council.		
37.9 Borrowings (Note 11)		
Annuity loans	32 175 227	35 316 804
Finance lease liability	5 973 970	7 163 577
Total Borrowing	<u>38 149 197</u>	<u>42 480 381</u>
37.10 Provisions (note 9)		
Provision leave reserve	5 249 316	4 676 545
Total Provision	<u>5 249 316</u>	<u>4 676 545</u>
Council provided a sufficient amount for leave encashment.		
37.11 Unspent conditional grants and receipts (note 17)		
Government grants and receipts	24 860 123	60 890 840
Total Unspent Conditional Grants and Receipts	<u>24 860 123</u>	<u>60 890 840</u>
37.12 Other Debtors (note 2.3)		
Total Other Debtors	<u>2 000 000</u>	<u>30 000 000</u>

SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

	2012 R	2011 R
38 UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE DISALLOWED		
38.1 Irregular expenditure		
Irregular expenditure		
<u>The nature of the payments per department are as follows:</u>		
Council	-	14 638 757
Municipal Manager Department	12 334 112.79	13 198 174
Finance Department	17 349 750.57	4 078 355
Corporate Service Department	5 531 864.36	8 851 719
Economic and Social Services Department	13 339 926.77	8 993 151
Infrastructure Department	94 192 706.78	7 813 627
Water Services Department	38 547 189.41	18 717 456
Capital, Grants and Other	-	214 432 282
Total Irregular expenditure	181 295 551	290 723 521

The above irregular expenditure in 2010/2011 of R353 090 836 investigate by Council in 2011/2012 has been restated to R290 723 521
The Irregular expenditure amounting to R290 723 521 for 2010/2011 has been condoned by Council in 2012.

The Irregular expenditure amounting to R181 295 551 for 2011/2012 has been condoned by Council in 2012.

38.2 Unauthorised Expenditure

The nature of the payments are as follows:

Salaries and Wages	-	441 916
Council Allowances	-	236 326
General Expenses	539 189	27 201 719
Community Participation	-	1 218 615
Bulk Purchases	-	997 569
Contracted Services	3 954 284	12 331 566
Collection Costs	1 857 228	-
Repairs and Maintenance	6 841 715	7 059 372
Provision for Doubtful Debt	2 986 947	2 303 189
Leave Provision	3 141 747	933 121
Capital Expenditure	-	12 149 643
Long Service Awards Provision	-	176 014
Post-retirement Health Care Benefit	-	33 888
General Expenses - impairment costs	4 772 600	-
Total Unauthorised Expenditure	24 093 710	65 082 938

The above expenditure exceeded the approved budget and is being investigated by Council in 2011/2012.

38.3 Fruitless and Wasteful Expenditure

Infrastructure Department	-	133 928
Finance Department	1 068	9 483
Water Services Department	22 253	-
Total Fruitless and Wasteful Expenditure	23 322	143 411

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

39 SUBSEQUENT EVENTS

There are no subsequent events to report on after the reporting date.

40 CORRECTION OF ERROR

The comparatives of 2010/2011 have been restated in respect of the following errors:

40.1 Property, Plant and Equipment

Property, Plant and Equipment as previously reported	973 809 84
Infrastructure assets previously not recognised as Property, Plant and Equipment -Bulwer Dam/RBIG Grant Funding 2010/2011	1 787 63
Infrastructure assets previously not recognised as Property, Plant and Equipment -Bulwer Dam/RBIG Grant Funding 2009/2010	3 471 40
Infrastructure assets previously not recognised as Property, Plant and Equipment -Massification Grant Funding 2010/2011	633 76
Infrastructure assets previously not recognised as Property, Plant and Equipment -Massification Grant Funding 2009/2010	925 42
Local Municipalities infrastructure assets previously recognised as Property, Plant and Equipment in error	-116 450 97
Amortisation charges error 2010/2011	392 68
Property, Plant and Equipment restated 30 June 2011	<u>864 569 78</u>

40.2 Government grants and subsidies

Government grants and subsidies as previously reported	293 888 18
Prior year grants previously not recognised - Other	4 409 36
Prior year grants previously not recognised - Umzimkhulu Arts, Culture and Tourism Grant	4 797 09
Prior year grant not recognised - Neighbourhood Development Grant	2 499 23
Prior year grants previously not recognised - CoGTA Development /Mentorship Grant	240 22
Prior year grants previously not recognised - Massification	561 40
Prior year grants previously not recognised - Massification	310 78
Prior year vat on grants previously not recognised	7 341 64
Government grants and subsidies restated 30 June 2011	<u>314 047 92</u>

40.3 Trade and Other payables from Exchange Transactions

Unknown Deposits as previously reported	1 149 204
Accrual on rental leases not previously recognised	-19 067
Unknown Deposits not previously recognised	-2 141
Trade and Other payables from Exchange Transactions restated 30 June 2011	<u>1 127 997</u>

40.4 Non-current finance lease liability

Finance Lease Liability as previously reported	4 582 974
Correction of Wesbank Leases	73 161
Trade and Other payables from Exchange Transactions restated 30 June 2011	<u>4 656 135</u>

**SISONKE DISTRICT MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

41 GOING CONCERN

The Sisonke District Municipality is currently facing financial challenges which is being addressed. The challenges are related to cash reserves, which has placed pressure on the Municipality liquidity ratio and financial sustainability.

Although certain strategies have already being implemented, which have showed positive results.

With regards to the strategies, the following financial measures have been implemented:

1. Re-scheduling of the 2012/2013 capital budget and outer two (2) year Medium-Term Revenue and Expenditure Framework.
2. Re assessing of the funding of the 2012/2013 capital budget and the outer two (2) year Medium-Term Revenue and Expenditure Framework.
3. Re prioritising projects and expenditure on the 2012/2013 operating budget and outer two (2) year Medium-Term Revenue and Expenditure Framework.
4. Re assess tariff of charges for the 2012/2013 Medium-Term Revenue and Expenditure Framework.
5. Profile debtors and implement and maintain strict credit control procedures.
6. Enhancing internal controls in Supply Chain Management.
7. Review Sisonke District Municipality organogram.
8. Enhanced budgetary controls

42 RELATED PARTIES

Sisonke Development Agency:

A (shelf) PTY LTD was submitted to CIPRO for the establishment of an entity, it was registered in March 2011. The Agency as at 30 June 2012 had not appointed a CEO or a Board of Directors. No financial transactions have been recorded from the date of registration to 30 June 2012.

The acting CEO of the Sisonke Development Agency's contract is currently with Sisonke District Municipality and not the entity; therefore the relationship does not have any financial implications with regards to the registered PTY LTD.

SISONKE DISTRICT MUNICIPALITY
APPENDIX A
ACTUAL VERSES BUDGET (INCOME AND EXPENDITURE)
for the year ended 30 June 2012

	2012 Actual R	2012 Budget R	2012 Variance R	%	Explanation of Significant Variances greater than 10%
REVENUE					
Service charges	36 570 497	35 648 641	921 856	2.6%	
Interest Earned - External Investments	2 201 519	1 618 218	583 301	36.0%	Prime rate stabilised over 2011/2012 financial year.
Government grants and subsidies	386 788 899	397 164 713	(10 375 814)	-2.6%	
Other Income	29 717 094	82 021 722	(52 304 628)	-63.8%	Assets previously not recognised as Property, Plant and Equipment. This revenue was not budgeted for in 2011/2012.
Rent	48 335	-	48 335	100.0%	
Total Revenue	455 326 344	516 453 294	(61 126 950)	-12%	
Expenditure					
Employee related costs	71 974 823	74 079 448	(2 104 625)	-3%	
Remuneration of Councilors	4 413 410	5 037 250	(623 840)	-12%	Awaiting approval from the MEC for regarding which will result in the upper limits being increased with effect from the 1 July 2011.
Leave provision	1 260 571	113 000	1 147 571	1016%	It was anticipated that staff would take more leave during 2011/2012.
Depreciation	17 858 703	21 200 000	(3 341 297)	-16%	Capital project in 2011/2012 capitalised to work under construction.
Repairs and maintenance	32 586 766	25 745 052	6 841 714	27%	Emergency repairs necessitated to sustain service delivery.
Interest on external borrowings	3 972 107	3 972 107	-	0%	
Bulk purchases	7 712 971	7 712 971	-	0%	
Provision to bad debts	10 735 013	7 748 066	2 986 947	39%	An increase of 33% in gross exchange receivables necessitated the higher anticipated contribution.
General expenses	119 875 852	110 017 128	9 858 724	9%	
Operating Grants	41 715 558	57 127 102	(15 411 544)	-27%	Received and utilised more grant funding on operating in 2011/2012.
Total Expenditure	312 105 774	312 752 124	(646 350)	0%	
Surplus/(Deficit)	143 220 570	203 701 170	(61 773 300)	-30%	

SISONKE DISTRICT MUNICIPALITY

APPENDIX B

**SCHEDULE OF EXTERNAL LOANS
FOR THE YEAR ENDED 30 JUNE 2012**

EXTERNAL LOANS	Interest rate	Loan number	Redeemable Date	Balance at 1 July 2010	Received during the year	Interest capitalized during the period	Interest paid during the period	Payment made during the period	Balance 30 June 2011	Carrying Value of Property, Plant & Equipment
				R			R	R	R	R
LONG-TERM LOANS										
ANNUITY LOAN										
Development Bank of SA	10.88%	5	2013/12/31	1 025 177			179 185	521 661	682 702	682 702
Development Bank of SA	17.10%	2	2015/09/30	4 291 627		92 975	333 864	1 211 067	3 507 399	3 507 399
Absa Bank	10.72%	1	2021/06/30	30 000 000		-	2 910 652	4 925 525	27 985 126	27 985 126
TOTAL EXTERNAL LOANS				35 316 804		92 975	3 423 701	6 658 253	32 175 227	32 175 227

SISONKE DISTRICT MUNICIPALITY

APPENDIX C

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
FOR THE ENDED 30 JUNE 2012**

FOR THE ENDED 30 JUNE 2012														
	Cost / Revaluation					Accumulated Depreciation					Transfers	Other movements	Carrying Value	
	Opening Balance	Change in Accounting Policy Revaluation adjustment	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Change in Accounting Policy Revaluation adjustment	Depreciation	Disposals				Impairment loss/Reversal of impairment loss
Land	5 146 800	-	-	-	-	5 146 800	-	-	-	-	-	-	5 146 800	-
Land	5 146 800	-	-	-	-	5 146 800	-	-	-	-	-	-	5 146 800	-
Buildings	33 419 069	-	1 396 597	(27 746)	-	34 787 919	(5 581 455)	-	(486 980)	3 700	-	(6 064 735)	-	28 723 184
Infrastructure	140 223	-	-	-	-	140 223	-	-	(14 022)	-	-	(14 022)	-	126 201
Roads	693 360 517	-	19 565 921	(10 912 000)	-	702 014 438	(152 289 595)	-	(19 483 504)	4 684 500	-	(167 088 599)	-	534 925 839
Water & Sewer Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs – Water	234 498 796	-	156 442 142	(116 450 975)	-	274 489 963	-	-	-	-	-	-	-	274 489 963
Work in progress SDM	40 071 944	-	-	-	-	40 071 944	-	-	-	-	-	-	-	40 071 944
Work in progress LM and Other	968 071 480	-	176 008 063	(127 362 975)	-	1 016 716 568	(152 289 595)	-	(19 497 526)	4 684 500	-	(167 102 621)	-	849 613 947
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	(5 649 274)	-	-	(5 649 274)	-	-	888 846	-	-	888 846	-	(4 760 428)
Other	20 100 520	-	-	(20 100 520)	-	-	(4 115 863)	-	-	4 115 863	-	-	-	3
Work in progress SDM	21 384 407	-	-	(6 290 997)	-	15 093 410	-	-	-	-	-	-	-	15 093 410
Work in progress LM and Other	326 068	-	-	-	-	326 068	-	-	-	-	-	-	-	326 068
Work in progress LM and Other	41 810 995	-	-	(32 040 791)	-	9 770 204	(4 115 863)	-	-	5 004 709	-	888 846	-	10 659 053
Total carried forward	1 048 448 344	177 404 660	(159 431 512)	-	1 066 421 491	(161 986 913)	(19 984 506)	9 692 909	-	(172 278 511)	-	-	-	894 142 984

SISONKE DISTRICT MUNICIPALITY

APPENDIX C

**UNAUDITED
ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
FOR THE ENDED 30 JUNE 2012**

	Cost / Revaluation						Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Revaluation adjustment	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Revaluation adjustment	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance			
Total brought forward	1 048 448 344		177 404 660	(159 431 512)	-	1 066 421 491	(161 986 913)		(19 984 506)	9 692 909	-	(172 278 511)		-	894 142 984
Other Assets															
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2 975 691	-	388 682	-	-	3 364 373	(1 999 398)	-	(333 669)	-	-	(2 233 067)	-	-	1 131 306
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	8 549 309	-	663 472	(446 404)	-	8 766 377	(6 057 639)	-	(1 256 624)	164 744	-	(7 149 519)	-	-	1 616 858
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	4 775 346	-	405 865	(366 182)	-	4 815 029	(3 263 711)	-	(666 373)	30 565	-	(3 899 519)	-	-	915 510
Computer software	1 137 108	-	-	-	-	1 137 108	(431 844)	-	-	-	-	-	-	-	705 264
Other Assets	2 744 576	-	-	-	-	2 744 576	(1 796 258)	-	(390 133)	199 500	-	(1 986 891)	-	-	757 685
Work in progress LM and Other	76 052 964	-	-	-	-	76 052 964	-	-	-	-	-	-	-	-	76 052 964
	96 234 994	-	1 458 019	(812 586)	-	96 880 427	(13 448 850)	-	(2 646 799)	394 809	-	(15 700 840)	-	-	81 179 587
Finance Lease Assets															
Office Equipment	225 114	-	-	-	-	225 114	(75 789)	-	-	-	-	(75 789)	-	-	149 325
Other Assets	6 373 499	-	12 000	-	-	6 385 499	(1 256 237)	-	-	-	-	(1 256 237)	-	-	5 129 262
	6 598 613	-	12 000	-	-	6 610 613	(1 332 026)	-	-	-	-	(1 332 026)	-	-	5 278 587
Total	1 151 281 951	-	178 874 679	(160 244 098)	-	1 169 912 532	(176 767 789)	-	(22 631 305)	10 087 718	-	(189 311 377)	-	-	980 601 158

SISONKE DISTRICT MUNICIPALITY

**APPENDIX C
UNAUDITED**

**ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
FDR THE ENDED 30 JUNE 2011**

	Cost / Revaluation			Change in accounting policy			Accumulated Depreciation				Transfers	Other movements	Carrying Value
	Opening Balance	Revaluation adjustment	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Revaluation adjustment	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	R
	R		R	R	R	R	R		R	R	R	R	R
Land	-	-	5 146 800	-	-	5 146 800	-	-	-	-	-	-	5 146 800
Land	-	-	5 146 800	-	-	5 146 800	-	-	-	-	-	-	5 146 800
Buildings	32 704 769	-	714 300	-	-	33 419 069	(4 899 618)	-	(681 837)	-	-	(5 581 455)	27 837 614
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Drains	140 223	-	-	-	-	140 223	-	-	-	-	-	-	140 223
Roads	687 686 387	-	5 674 130	-	-	693 360 517	(137 781 686)	-	(14 987 472)	479 563	-	(152 289 595)	541 070 922
Water & Sewer Mains & Purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reservoirs - Water	116 026 314	-	118 472 482	-	-	234 498 796	-	-	-	-	-	-	234 498 796
Work in progress SDM	14 700 834	-	-	-	25 371 110	40 071 944	-	-	-	-	-	-	40 071 944
Work in progress (LM and other	-	-	-	-	-	-	-	-	-	-	-	-	-
	818 553 798	-	124 146 612	-	25 371 110	968 071 480	(137 781 686)	-	(14 987 472)	479 563	-	(152 289 595)	815 781 885
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Parks & Gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreation Grounds	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Stadiums	-	-	-	-	-	-	-	-	-	-	-	-	-
Halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Theatre	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming Pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	18 950 495	-	1 150 025	-	-	20 100 520	(3 522 330)	-	(593 533)	-	-	(4 115 863)	15 984 657
Work in progress SDM	6 815 353	-	14 569 054	-	-	21 384 407	-	-	-	-	-	-	21 384 407
Work in progress (LM and other	326 068	-	-	-	-	326 068	-	-	-	-	-	-	326 068
	26 091 916	-	15 719 079	-	-	41 810 995	(3 522 330)	-	(593 533)	-	-	(4 115 863)	37 695 132
Total carried forward	877 350 443	-	145 726 791	-	25 371 110	1 048 448 344	(146 203 634)	-	(16 262 842)	479 563	-	(161 986 913)	886 461 431

SISONKE DISTRICT MUNICIPALITY

APPENDIX C

UNAUDITED

ANALYSIS OF PROPERTY PLANT AND EQUIPMENT

FOR THE ENDED 30 JUNE 2011

	Cost / Revaluation				Accumulated Depreciation						Transfers	Other movements	Carrying Value
	Opening Balance	Revaluation adjustment	Additions	Disposals	Under Construction	Closing Balance	Opening Balance	Revaluation adjustment	Depreciation	Disposals	Impairment loss/Reversal of impairment loss	Closing Balance	
	R		R	R	R	R	R		R	R	R	R	R
Total brought forward	877 350 443	100 366 183	145 726 791	-	25 371 110	1 048 448 344	(146 203 634)	-	(16 262 842)	479 563	-	(161 986 913)	886 461 431
Other Assets													
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	2 618 261	-	357 430	-	-	2 975 691	(1 588 644)	-	(310 754)	-	-	(1 889 398)	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	1 076 293
Emergency Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Motor vehicles	8 549 309	-	-	-	-	8 549 309	(5 070 310)	-	(987 329)	-	-	(6 057 639)	-
Fire engines	-	-	-	-	-	-	-	-	-	-	-	-	2 491 670
Refuse tankers	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	4 100 962	-	674 384	-	-	4 775 346	(2 587 036)	-	(676 675)	-	-	(3 263 711)	1 511 635
Computer Software	1 079 608	-	57 500	-	-	1 137 108	(215 922)	-	(215 922)	-	-	(431 844)	705 284
Other Assets	1 905 025	-	839 551	-	-	2 744 576	(1 509 413)	-	(286 845)	-	-	(1 796 258)	948 318
Work in progress LM and other	44 988 647	-	-	-	31 064 317	76 052 964	-	-	-	-	-	-	76 052 964
	63 241 812	-	1 928 865	-	31 064 317	96 234 994	(10 971 325)	-	(2 477 525)	-	-	(13 448 850)	82 786 144
Finance Lease Assets													
Office Equipment	225 114	-	-	-	-	225 114	(6 069)	-	(69 720)	-	-	(75 789)	149 325
Other Assets	3 055 456	-	3 318 043	-	-	6 373 499	(254 624)	-	(1 001 613)	-	-	(1 256 237)	5 117 262
	3 280 570	-	3 318 043	-	-	6 598 613	(260 693)	-	(1 071 333)	-	-	(1 332 026)	5 266 587
Total	943 872 825	-	1 50 973 699	-	56 435 427	1 151 281 951	(157 435 652)	9 316 916	(19 811 700)	479 563	-	(176 767 789)	974 514 162

SISONKE DISTRICT MUNICIPALITY
SEGMENTAL ANALYSIS OF PROPERTY
APPENDIX D
FOR THE YEAR ENDED 30 JUNE 2011

	Opening Balance R	Additions R	Revaluation adjustment R	Cost R	Disposals R	Closing Balance R	Opening Balance	Accumulated Depreciation R
Executive & Council								
Finance & Admin								